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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form of Acceptance and Transfer or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in China Infrastructure & Logistics Group Ltd., you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the contents of which form part of the terms and conditions of the Share Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance and Transfer.

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**Hubei Port (Hong Kong) International Limited**  
湖北港口(香港)國際有限公司  
(Incorporated in Hong Kong with limited liability)

**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)

**COMPOSITE DOCUMENT RELATING TO  
UNCONDITIONAL MANDATORY CASH OFFER  
BY CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA INFRASTRUCTURE & LOGISTICS GROUP LTD.  
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED BY  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to  
Hubei Port (Hong Kong) International Limited**



**Independent financial adviser to the Independent Board Committee of  
China Infrastructure & Logistics Group Ltd.**



RAINBOW CAPITAL (HK) LIMITED  
溢博資本有限公司

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Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A "Letter from CICC" containing, among other things, the details of the terms of the Share Offer are set out on pages 7 to 19 of this Composite Document. A "Letter from the Board" is set out on pages 20 to 25 of this Composite Document. A "Letter from the Independent Board Committee" containing its recommendations to the Offer Shareholders in respect of the Share Offer is set out on pages 26 to 27 of this Composite Document. A "Letter from the Independent Financial Adviser" containing its advice and recommendations to the Independent Board Committee and the Offer Shareholders in respect of the Share Offer is set out on pages 28 to 54 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptance of the Share Offer should be received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 25 March 2022 or such later time(s) and/or date(s) as the Offeror may determine and announce, in accordance with the Takeovers Code.

Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements. See "Important Notices" on pages iv and vi of this Composite Document. Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance and Transfer to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the "Letter from CICC" in this Composite Document before taking any action. It is the responsibility of any Overseas Shareholders wishing to take any action in relation to the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including obtaining all governmental, exchange control or other consents which may be required and compliance with all necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Share Offer (as applicable) in such jurisdiction. The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Share Offer.

This Composite Document is issued jointly by the Offeror and the Company. The English texts of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over their respective Chinese texts for the purpose of interpretation.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cilgl.com/chi/cindex.html>) as long as the Share Offer remains open.

Hong Kong, 4 March 2022

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event that there is any change to the following timetable as and when appropriate.*

Event	Hong Kong Time and Date
Despatch date of this Composite Document and the accompanying Form of Acceptance and Transfer .....	Friday, 4 March 2022
Opening date of the Share Offer .....	Friday, 4 March 2022
Closing Date ( <i>Note 1</i> ) .....	Friday, 25 March 2022
Latest time for acceptance of the Share Offer on the Closing Date ( <i>Note 2</i> ) .....	4:00 p.m. on Friday, 25 March 2022
Announcement of the results of the Share Offer (or its extension or revision, if any), to be posted on the website of the Stock Exchange .....	7:00 p.m. on Friday, 25 March 2022
Latest date for despatch of cheques for payment of the amounts due under the Share Offer in respect of valid acceptances received on the Closing Date ( <i>Note 3</i> ) .....	Wednesday, 6 April 2022

*Notes:*

- (1) The Share Offer, which is unconditional in all respects, will close for acceptances at 4:00 p.m. (Hong Kong time) on Friday, 25 March 2022 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Share Offer until such date as it may determine subject to compliance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In the event that the Offeror decides to extend the Share Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Share Offer is closed to those Offer Shareholders who have not accepted the Share Offer.
- (2) If you wish to accept the Share Offer, you should ensure your duly completed and signed Form of Acceptance and Transfer and the relevant documents arrive at the Registrar (for the Share Offer) not later than the prescribed time. If you choose to deliver the documents by post, you should consider the timing requirements for postage.

Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

All acceptances, instructions, authorisations and undertakings given by the Offer Shareholders in the **Form of Acceptance and Transfer** shall be irrevocable except as permitted under the Takeovers Code.

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## EXPECTED TIMETABLE

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- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the Offer Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) business days (as defined under the Takeovers Code) following the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn.

### **Effect of bad weather on the latest time for acceptance of the Share Offer and/or the latest date for despatch of cheques**

If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning in force, in Hong Kong:

- (a) at any time before 12:00 noon (Hong Kong time) but no longer in force at or after 12:00 noon (Hong Kong time) on the latest date for acceptance of the Share Offer and/or the latest date for despatch of cheques or wire transfer of funds for the amounts due under the Share Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Share Offer will remain at 4:00 p.m. (Hong Kong time) on the same Business Day and/or the latest date for despatch of cheques or wire transfer of funds will remain on the same Business Day; or
- (b) at any time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Share Offer and/or the latest date for despatch of cheques or wire transfer of funds for the amounts due under the Share Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day and/or the latest date for despatch of cheques or wire transfer of funds will be rescheduled to the following Business Day which does not have any of such adverse weather warnings.

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## IMPORTANT NOTICES

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The following information is important for all Shareholders.

You are urged to read this entire Composite Document, including the appendices, and the Form(s) of Acceptance and Transfer carefully.

- *Offer Price:* HK\$1.15 in cash per Offer Share.
- *How to accept the Share Offer:* Please return the duly completed and signed **Form of Acceptance and Transfer** and the relevant documents to the Registrar (for the Share Offer).
- *Deadline for acceptance:* The Share Offer will close for acceptance at 4:00 p.m. (Hong Kong time) on Friday, 25 March 2022 (the Closing Date), unless otherwise revised or extended.

For details, please refer to “Appendix I — Further Terms of the Share Offer” to this Composite Document.

- *Settlement:* Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the Offer Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) business days (as defined under the Takeovers Code) following the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code.

### NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Share Offer to the Offer Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws or regulations of the relevant jurisdictions. The making of the Share Offer to such Offer Shareholders and their acceptances of the Share Offer may be prohibited or affected by the laws or regulations of the relevant jurisdictions and it is the responsibility of each of such Offer Shareholders who wishes to accept the Share Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including any requirement for any governmental, exchange control or other consents, any filing and registration requirements, any necessary formalities, any legal or regulatory requirements and any requirement for the payment by the accepting Offer Shareholders due by such accepting Overseas Shareholders.

Any acceptance of the Share Offer by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror and the Company that all the laws and regulations of the relevant jurisdictions have been complied with and that the Share Offer can be accepted by such Shareholder, lawfully under the laws and regulations of the relevant jurisdictions. Shareholders should consult their professional advisers if in doubt.

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## IMPORTANT NOTICES

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The Offeror and/or its concert party(ies), the Company, CICC, Rainbow Capital, the Registrar or any of their respective beneficial owners, directors, officers, advisers, associates, agents or any other persons involved in the Share Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Please see the section headed “Overseas Shareholders” in the “Letter from CICC” in this Composite Document.

### NOTICE TO US SHAREHOLDERS

The Share Offer is making for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of Shares should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer is extended into the United States pursuant to the applicable US tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer is subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

It may be difficult for US holders of Shares to enforce their rights and any claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for any violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror or the Company or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

In accordance with the Takeovers Code and Rule 14e-5(b) of the US Securities Exchange Act, affiliates of CICC may continue to act as exempt principal traders in the Shares on the Stock Exchange. Please see the section headed “US Shareholders” in the “Letter from CICC” in this Composite Document.

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## IMPORTANT NOTICES

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### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, general, social, economic and political conditions in the countries in which the Group operates or other countries which have an impact on the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Group operates, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Group operates and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Group operates and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, all written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as at the Latest Practicable Date. Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, neither the Offeror nor the Company assumes any obligation to correct or update the forward-looking statements or opinions contained in this Composite Document.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above or on which a “black” rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China International Capital Corporation Hong Kong Securities Limited ” or “CICC”	China International Capital Corporation Hong Kong Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contract) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Closing Date”	Friday, 25 March 2022, being the closing date of the Share Offer or any subsequent closing date in the event that the Share Offer are extended or revised in accordance with the Takeovers Code
“Company”	China Infrastructure & Logistics Group Ltd. (中國通商集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange with stock code 1719
“Completion”	completion of the sale of the Sale Shares pursuant to the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Share Offer in compliance with the Takeovers Code



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## DEFINITIONS

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“Consideration”	the consideration in the sum of HK\$1,484,018,799.50 payable by the Offeror to the Vendors for the acquisition of the Sale Shares
“Director(s)”	the director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets, securities or rights of whatsoever nature and includes any agreement or arrangement for any of the same
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Facility”	a loan facility of up to HK\$2,000,000,000 in aggregate made available by China Merchants Bank Co., Ltd. to the Offeror under the Facility Agreement
“Facility Agreement”	the facility agreement dated 6 January 2022 entered into by the Offeror as the borrower and China Merchants Bank Co., Ltd. as lender in respect of the Facility
“First Vendor”	China Tongshang Investment Group Limited (中國通商投資集團有限公司), a company incorporated in the BVI with limited liability, and is wholly-owned by the First Warrantor, which in turn is wholly-owned by the Second Warrantor
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hubei Port Group”	Hubei Port Group Company Limited* (湖北省港口集團有限公司), (formerly known as Wuhan Port and Shipping Development Group Co., Ltd.* (武漢港航發展集團有限公司)) a company incorporated in the PRC with limited liability and the sole shareholder of the Offeror
“Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors who have no direct or indirect interest in the Share Offer, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, established for the purpose of advising and giving a recommendation to the Offer Shareholders in respect of the Share Offer and in particular as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed, which appointment has been approved by the Independent Board Committee, for the purpose of advising the Independent Board Committee and the Offer Shareholders in respect of the Share Offer, as to whether the Share Offer is fair and reasonable, and as to the acceptance of the Share Offer
“Independent Third Party(ies)”	a person/persons, or in the case of a company/companies, the company/companies or its/their ultimate beneficial owner(s), who is/are independent of and not connected with the Group and their respective connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Joint Announcement”	the announcement dated 10 January 2022 jointly issued by the Offeror and the Company in relation to the Share Offer
“Last Trading Day”	29 December 2021, being the last trading day on which the Shares were traded on the Stock Exchange before the publication of the Joint Announcement
“Latest Practicable Date”	2 March 2022, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document

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## DEFINITIONS

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“Letter of Undertakings”	the letter of undertakings provided by Hubei Port Group, being the sole shareholder of the Offeror, to China Merchants Bank Co., Ltd. as security for the Facility
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Memorandum of Understanding”	a non-legally binding memorandum of understanding dated 22 November 2021 and entered into, among others, the Vendors and Hubei Port Group in relation to the acquisition of 1,290,451,130 Shares
“Offeror”	Hubei Port (Hong Kong) International Limited (湖北港口(香港)國際有限公司), a company incorporated in Hong Kong with limited liability
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from the date of the Joint Announcement until the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Share Offer in accordance with the Takeovers Code
“Offer Price”	HK\$1.15 per Offer Share in respect of the Share Offer
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Offer Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Overseas Shareholders”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar, at Shops 1712-1716, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on the date falling six months preceding the date of the Joint Announcement (being the date of commencement of the Offer Period), up to and including the Latest Practicable Date
“Remaining Balance”	a sum equivalent to 10% of the Consideration, of which HK\$101,480,681.41 is payable to the First Vendor and HK\$46,921,208.53 is payable to the Second Vendor, assuming no adjustment is made
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 December 2021 and entered into, among others, the Vendors and the Offeror in relation to the acquisition of the Sale Shares
“Sale Share(s)”	1,290,451,130 Shares acquired by the Offeror from the Vendors pursuant to the terms of the Sale and Purchase Agreement; and “Sale Share” means any one of them
“Second Vendor” or “First Warrantor” or “Covenantor”	Zall Holdings Company Limited (卓爾控股有限公司), a company incorporated in the BVI with limited liability and is wholly-owned by the Second Warrantor
“Second Warrantor”	Mr. Yan Zhi (閻志), as the ultimate beneficial owner of the First Vendor and the Second Vendor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Shares
“Share Charge”	the security deed dated 18 February 2022 entered into between the Offeror as chargor and China Merchants Bank Co., Ltd. as chargee in relation to, among others, the entire issued shares in the Company owned by the Offeror from time to time, in favour of China Merchants Bank Co., Ltd. as security for the Facility

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## DEFINITIONS

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“Share Offer”	the unconditional mandatory cash offer to be made by CICC for and on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
“Share Option Scheme”	the share option scheme approved by Shareholders at the annual general meeting of the Company held on 25 May 2018, which is valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 25 May 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC
“US”	the United States of America
“Vendors”	the First Vendor and the Second Vendor



**CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED**

4 March 2022

*To the Offer Shareholders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER  
BY CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
CHINA INFRASTRUCTURE & LOGISTICS GROUP LTD.  
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED BY  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Share Offer. It was mentioned in the Joint Announcement that on 31 December 2021 (after trading hours), among others, the Vendors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the First Vendor and the Second Vendor conditionally agreed to sell, and the Offeror conditionally agreed to acquire the Sale Shares (882,440,621 Shares of which are from the First Vendor and 408,010,509 Shares of which are from the Second Vendor, respectively), representing approximately 74.81% of the total issued share capital of the Company as at the date of the Joint Announcement), at a total cash consideration of HK\$1,484,018,799.50, being HK\$1.15 per Sale Share. Reference is also made to the announcement jointly published by the Offeror and the Company on 19 January 2022 which announced that the sale and purchase of the Sale Shares contemplated in the Sale and Purchase Agreement was completed on 18 January 2022.

Save for the Sale Shares held by the Vendors (who are deemed to be acting in concert with the Offeror under presumption class (9) in the definition of “acting in concert” under the Takeovers Code until the full settlement of the Remaining Balance by the Offeror), neither the Offeror nor any person acting in concert with it was interested in any Shares prior to the Completion. Upon the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it hold 1,290,451,130 Shares, representing approximately 74.81% of the total issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM CICC

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Upon Completion, the Offeror is required to make the Share Offer for all the issued Shares (other than the Shares that are owned by and/or acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

This letter forms part of this Composite Document and sets out, among other things, details of the Share Offer, information on the Offeror, and the intention of the Offeror in relation to the Group. Further details on the terms and the procedures for acceptance of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance and Transfer.

The Offer Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the appendices to this Composite Document and the accompanying Forms of Acceptance and Transfer, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Share Offer.

### THE SHARE OFFER

As at the Latest Practicable Date, there were 1,725,066,689 Shares in issue, of which 1,290,451,130 Shares (representing approximately 74.81% of the entire issued share capital of the Company) are held by the Offeror and parties acting in concert with it. The Company has not issued any share options under the Share Option Scheme. The Company does not have any outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible into or which confer rights to require the issue of Shares as at the Latest Practicable Date.

### Principal terms of the Share Offer

CICC, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the offer to acquire all the Offer Shares on terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share ..... HK\$1.15 in cash

The Offer Price of HK\$1.15 is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement, which was determined by the Offeror after taking into account, among others, (i) the Company’s historical share prices performance traded on the Stock Exchange and (ii) the historical financial performance of the Group. The Offer Price will not be affected by the deduction of the Consideration, if any, as stipulated in the section headed “The Sale and Purchase Agreement — Consideration” in the Joint Announcement.

**The Offeror will not increase the Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.**

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## LETTER FROM CICC

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The Share Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

### **Comparison of value**

The Offer Price of HK\$1.15 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement represents:

- (a) a premium of approximately 6.5% over the closing price of HK\$1.08 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 8.5% over the average closing price of approximately HK\$1.06 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 16.2% over the average closing price of approximately HK\$0.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 30.7% over the average closing price of approximately HK\$0.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 161.4% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.44 per Share as at 31 December 2020, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$767,527,000 as at 31 December 2020 by 1,725,066,689 Shares in issue as at the Latest Practicable Date;
- (f) a premium of approximately 150.0% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.46 per Share as at 30 June 2021, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately HK\$791,128,000 as at 30 June 2021 by 1,725,066,689 Shares in issue as at the Latest Practicable Date; and
- (g) no premium or discount to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date.



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## LETTER FROM CICC

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### **Highest and lowest Share prices**

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$1.150 per Share on 26 January 2022, 27 January 2022, 28 January 2022, 31 January 2022, 7 February 2022, 9 February 2022, 14 February 2022, 15 February 2022, 17 February 2022, 18 February 2022, 21 February 2022, 22 February 2022, 25 February 2022, 28 February 2022, 1 March 2022 and 2 March 2022, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$0.70 per Share on 6 August 2021.

### **Value and total consideration for the Share Offer**

As at the Latest Practicable Date, there are 1,725,066,689 Shares in issue. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price being HK\$1.15 per Offer Share, excluding the 1,290,451,130 Shares already held by the Offeror, 434,615,559 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be HK\$499,807,892.85, based on the Offer Price.

### **Effects of Accepting the Share Offer**

By accepting the Share Offer, the Offer Shareholders will sell their Shares to the Offeror free from all Encumbrances together with all rights attached thereto as at the date on which the Share Offer is made or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, on or after the date on which the Composite Document is despatched.

Acceptance of the Share Offer would be irrevocable and would not be capable of being withdrawn, subject to the provision of the Takeovers Code.

### **Overseas Shareholders**

The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

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## LETTER FROM CICC

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### **US Shareholders**

The Share Offer is making for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of Shares should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer is extended into the United States pursuant to the applicable US tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer is subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

It may be difficult for US holders of Shares to enforce their rights and any claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for any violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror or the Company or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

In accordance with the Takeovers Code and Rule 14e-5(b) of the US Securities Exchange Act, affiliates of CICC may continue to act as exempt principal traders in the Shares on the Stock Exchange.

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## LETTER FROM CICC

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### Financial resources available to the Offeror

The Offeror intends to finance and satisfy the Consideration and the Share Offer by way of the Facility, which is secured by the Share Charge and the Letter of Undertakings. Pursuant to the terms of the Share Charge, the Offeror (as chargor), as security for the Facility, charges in favour of China Merchants Bank Co., Ltd. (as chargee) all of its rights, title and interest in, inter alia, the Shares owned by the Offeror in the Company (the “**Share Collateral**”). Prior to the time when the Share Charge has become enforceable, the Offeror may exercise all voting and other rights and powers attaching to the Shares owned by the Offeror in the Company from time to time provided that it may not exercise any such voting or other rights or powers in any manner, or otherwise permit or agree to any (a) variation of the rights attaching to or conferred by any of the Share Collateral, (b) increase in the issued share capital, registered capital or equity interest of any company, corporation or entity whose shares, securities or equity interests are charged or subject to security under the Share Charge, or which otherwise breaches the terms of the Facility Agreement and the related documents or which would be likely to prejudice or adversely affect the interests of China Merchants Bank Co., Ltd. (as lender), any receiver or delegate, agent, attorney or co-trustee appointed in relation thereto. At any time after an event of default (as prescribed in the Facility Agreement) has occurred and is continuing; or the enforcement powers under the Share Charge are exercised, the security created by or pursuant to the Share Charge is immediately enforceable and China Merchants Bank Co., Ltd. (as chargee) may (in its sole discretion) directly or indirectly exercise, refrain the Offeror from exercising or disclaim the Offeror’s any rights to exercise any voting or other rights and powers attached to the Share Collateral.

Assuming full acceptance of the Share Offer, the maximum aggregate amount payable by the Offeror for the Share Offer and the acquisition of the Sale Shares under the Sale and Purchase Agreement will be HK\$1,983,826,692.35. As at the Latest Practicable Date, with respect of the acquisition of the Sale Shares under the Sale and Purchase Agreement, the initial payment and the second payment of the Consideration, being an aggregated sum of HK\$1,335,616,919.56, representing 90% of the Consideration, has been paid by the Offeror to the Vendors in accordance with the terms of the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Remaining Balance of HK\$148,401,889.94, representing 10% of the Consideration, shall, after deducting the NAV Shortfall (as defined in the Joint Announcement) (if any), be payable in cash (unless otherwise agreed in such alternative payment arrangement in compliance with the Takeovers Code and the Listing Rules) to the Vendors within 90 days from the Completion Date (i.e. on or before 18 April 2022).

CICC, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror (i) for the payment of the Remaining Balance under the Sale and Purchase Agreement; and (ii) to satisfy the amount required for the full acceptance of the Share Offer.

The Offeror does not intend that the payment of interest on, repayment of, or security for, any liability (contingent or otherwise) relating to the Facility will depend to any significant extent on the business of the Company.

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## LETTER FROM CICC

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### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty payable by the Offer Shareholders on acceptance of the Share Offer calculated at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror, whichever is higher, will be deducted from the amounts payable by the Offeror to such person on acceptance of the Share Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Payment**

Payment in cash in respect of the Share Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the date on which the duly completed acceptances of the Share Offer are received. Relevant documents evidencing title in respect of such acceptances must be received by the Offeror (or its agent) to render each such acceptance of the Share Offer complete and valid in accordance with Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

### **Tax advice**

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, the Company, CICC, Rainbow Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

### **Procedures for acceptance**

Your attention is drawn to "Further Terms of the Share Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **INFORMATION ON THE COMPANY AND THE GROUP**

Your attention is drawn to the section headed "Information of the Company and the Group" in the "Letter from the Board" contained in this Composite Document.

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## LETTER FROM CICC

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### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in Hong Kong with limited liability on 3 December 2021, the shares of which are owned as to 100% by Hubei Port Group, which in turn are owned as to approximately 82.8571% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government\* (武漢市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Xianning Municipal People's Government\* (咸寧市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Ezhou Municipal People's Government\* (鄂州市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huanggang Municipal People's Government\* (黃岡市人民政府國有資產監督管理委員會) and approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government\* (黃石市人民政府國有資產監督管理委員會). Hubei Port Group is a company principally engaged in the investment in and construction of infrastructures and the operation of ports, as well as the provision of other services including integrated logistics and supply chain management.

As at the Latest Practicable Date, none of the Offeror, its respective ultimate beneficial owners, its director (being Ms. Zhou Wei) and the parties acting in concert with any of them was interested in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), other than the Sale Shares.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Share Offer, the Offeror intends to continue the existing principal businesses of the Group.

The Offeror will conduct a review of the existing principal businesses and the financial position of the Group following the close of the Share Offer for the purpose of formulating business plans and strategies for the future development and expansion of the Group's principal business, that is, the investment in and 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 the supply chain management and trading business. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporation actions materialize, further announcement(s) will be made in accordance with the Listing Rules.

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## LETTER FROM CICC

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Save for the Offeror's intention regarding the Group as set out above and the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition" below and the proposed change of certain directors and/or senior management of certain subsidiaries of the Group, as at the date of the Composite Document, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group and the Offeror has no intention to discontinue the employment of any employees of the Group, and the Offeror has no intention to redeploy any fixed assets of the Group (other than in the ordinary and usual course of business of the Group) as at the date of the Composite Document. However, the Offeror expressly reserves the right to make any changes that it deem necessary, appropriate or convenient in light of their review of the Group, in light of future developments or in order to better integrate, generate maximum synergy or exploit full economies of scale with other operations of the Group.

Regarding the proposed change to the Board of the Group (as stated in the section headed "Proposed Change of The Board Composition" below), given the proposed Directors possess years of commercial experiences in the operation of container terminals, asset management and financial planning and management; and solid research experience in international logistics and supply chain management, the Offeror believes that, by leveraging such experiences and their extensive business network, the customer base of the Group would be broaden and additional marketing channels for promoting the Group can be introduced. Also, given the proposed Directors to the Board share diverse background, including cargo terminal management, container handling, education, corporate finance and financial services and real estate, as well as their hands-on experience in enterprise management, it is believed that the proposed Directors to the Board will enhance the Group's ability in exploring further business opportunities and strengthen the corporate governance of the Group.

### **PROPOSED CHANGE OF THE BOARD COMPOSITION**

As at the Latest Practicable Date, the Board was made up of three executive Directors, being Mr. Peng Chi, Mr. Xie Bingmu and Mr. Zhang Jiwei, two non-executive Directors, being Mr. Yan Zhi and Mr. Xia Yu, and three independent non-executive Directors, being Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick. The Offeror intends to retain Dr. Mao Zhenhua as an independent non-executive Director and replace the remaining members of the Board with the new Directors nominated by the Offeror, details of which are set out below. Any replacement of the existing Directors will only take effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the Closing Date of the Share Offer).

The Offeror has nominated (i) Mr. Li Xiaoming and Mr. Qiao Yun as the new executive Directors of the Board, (ii) Ms. Zhou Wei and Mr. Xu Aoling as the new non-executive Directors of the Board, (iii) Mr. Chau Kwok Keung and Mr. Fu Xinpeng as the new independent non-executive Directors of the Board. The appointment of the new Directors will take effect on the close of the Share Offer. The new Directors will hold office only until the first annual general meeting of the Company and be subject to re-election at such meeting. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. The biographies of the new Directors to be nominated are set out below:



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## LETTER FROM CICC

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### Biographies of new Directors nominated by the Offeror

**Mr. Li Xiaoming (李小明)**, aged 51, since December 2020, he has been the deputy general manager of Wuhan Port Group Co., Ltd.\* (武漢港務集團有限公司), a subsidiary of Hubei Port Group and principally engaged in the provision of port related services and investment in real estate and construction projects, where he is mainly in charge of the monitoring and supervision of the overall operation of various departments.

Mr. Li obtained the qualification as an accountant conferred by the Ministry of Finance of the PRC\* (中華人民共和國財務部) in May 1997. Mr. Li completed his undergraduate study in Accounting at Zhongnan University of Economics and Law\* (中南財經政法大學) in December 2005. From March 2001 to March 2004, Mr. Li had his postgraduate study of economics at Wuhan Municipal Party School\* (武漢市委黨校). Mr. Li completed his diploma education in finance and accounting from the Wuhan Institute of Water Transport Engineering\* (武漢水運工程學院) in July 1991.

**Mr. Qiao Yun (喬雲)**, aged 50, since November 2020, he has been the party secretary and chairman of Wuhan Xingang Hanjiang Container Co., Ltd.\* (武漢新港漢江集裝箱股份有限公司), a company indirectly controlled by Hubei Port Group and principally engaged in the provision of freight and warehousing logistics related services.

Mr. Qiao obtained the qualification as a senior engineer conferred by Wuhan Municipal Human Resources and Social Security Bureau\* (武漢市人力資源和社會保障局) in October 2005. Mr. Qiao obtained his bachelor's degree from the Wuhan Jiaotong University\* (武漢交通科技大學) in June 1994, majoring in hoisting, transportation and construction machinery.

**Ms. Zhou Wei (周薇)**, aged 34, is the sole director of the Offeror. Since July 2020, she has also been the deputy head of the investment and development department of Hubei Port Group.

Ms. Zhou has been a member of The Association of Chartered Certified Accountants since September 2015. Ms. Zhou obtained her postgraduate's degree of international accounting and finance from the City, University of London in October 2011. Ms. Zhou obtained her bachelor's degree of management science from the Fudan University\* (復旦大學) in July 2010.

**Mr. Xu Aoling (徐傲凌)**, aged 46, since October 2021, he has been the deputy head of the corporate finance department of Hubei Port Group. Mr. Xu joined Hubei Port Group in August 2016 as the senior supervisor of finance department.

Mr. Xu obtained his bachelor's degree of economics from the Zhongnan University of Finance and Economics\* (中南財經大學) in July 1997.

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## LETTER FROM CICC

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**Mr. Chau Kwok Keung (鄒國強)**, aged 45, is the chief financial officer of BetterLife Holding Limited, a company listed on the Stock Exchange (Stock Code: 6909) since September 2020 and was appointed as an executive director in December 2020, where he is mainly responsible for overall financial planning and management, company secretarial affairs, coordination of investors relations and administrative work. From November 2007 to January 2020 and June 2008 to January 2020, Mr. Chau served as the chief financial officer and an executive director, respectively of Comtec Solar Systems Group Limited, a company listed on the Stock Exchange (Stock Code: 712), where he was responsible for its corporate financial and general management. Mr. Chau was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Stock Exchange (Stock Code: 6198) and the Shanghai Stock Exchange (Stock Code: 601298) from May 2014 to May 2019; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depositary Shares on NASDAQ (NASDAQ: NCTY), since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange (Stock Code: 2779), since October 2017; (iv) an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (Stock Code: 6055.HK), since December 2018; (v) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 2528) from December 2019 to August 2021; (vi) an independent non-executive director of Bank of Zhangjiakou Co., Ltd (張家口銀行股份有限公司), since April 2020; (vii) an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited, a company listed on the Stock Exchange (Stock Code: 2170), since October 2021. Mr. Chau also acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed on the Frankfurt Stock Exchange (Stock Code: RIB), from May 2010 to June 2013.

Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking Regulatory Commission\* (中國銀行業監督管理委員會) as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020.

Mr. Chau obtained his bachelor's degree of business administration from the Chinese University of Hong Kong in December 1998.



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## LETTER FROM CICC

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**Mr. Fu Xinping (付新平)** (formerly named as Fu Xinping (傅新平)), aged 59, works for the Wuhan University of Technology\* (武漢理工大學) (one of its predecessors is Wuhan Institute of Water Transport Engineering\* (武漢水運工程學院) which was later renamed as Wuhan University of Transportation and Technology\* (武漢交通科技大學)) since July 1987, with his current position as the professor of the School of Economics.

Mr. Fu. was admitted as a professor in transportation by the Assessment Committee on Qualifications for Professional and Technical Positions of Wuhan University of Transportation and Technology\* (武漢交通科技大學專業技術職務評審委員會) in November 1999. In December 1999, Mr. Fu was also recognised as a certified supervisory engineer\* (專業監理工程師) by the Transportation Department of the PRC.

Mr. Fu completed his postgraduate study from the Department of Management Engineering of Wuhan Institute of Water Transport Engineering\* (武漢水運工程學院), majoring in Transportation Management Engineering in July 1987. Mr. Fu obtained his bachelor's degree in engineering from the Department of Marine Mechanical Engineering of Wuhan Institute of Water Transport Engineering\* (武漢水運工程學院) in July 1983.

Save as disclosed above, each of the proposed Directors, (i) does not hold any other position with the Company or any of its subsidiaries; (ii) has not hold any other directorship in, or direct or indirect interest in 10% or more of the issued share capital of, any other public companies the securities of which are listed on any security market in Hong Kong or overseas in the three years prior to the date of this Composite Document; (iii) does not have any relationship with any directors, senior management or substantial or controlling shareholders (as defined under the Listing Rules) of the Company; (iv) does not have any interest in the Shares or underlying Shares in the Company (within the meaning of Part XV of the SFO). There is no other information in relation to the appointments of the new Directors that is required to be disclosed nor are/were they involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any power of compulsory acquisition of any outstanding Offer Shares not acquired under the Share Offer after the close of the Share Offer.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Pursuant to the Listing Rules, if, at the closing of the Share Offer, less than the minimum prescribed percentage of public float applicable to the Company, being 25.0% of the issued share capital of the Company, are held by the public or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or

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## LETTER FROM CICC

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(b) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealing in the Shares. Therefore, it should be noted that upon closing of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer. These appropriate steps may include but not limited to disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue further announcement(s) as and when necessary in this regard.

### GENERAL

All documents and remittances to be sent to the Offer Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as they appear in the registers of the members of the Company and in the case of joint holders, to such holder whose name appears first in the relevant registers. The Offeror and parties acting in concert with it, the Company, CICC, Rainbow Capital, the Registrar and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates or any other parties involved in the Share Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### ADDITIONAL INFORMATION

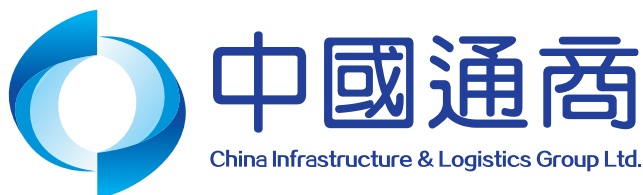
Your attention is drawn to the additional information regarding the Share Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance and Transfer, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,  
for and on behalf of  
**China International Capital Corporation**  
**Hong Kong Securities Limited**  
**David Ching**  
*Executive Director*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Peng Chi (*Co-chairman*)  
Mr. Xie Bingmu  
Mr. Zhang Jiwei

*Registered Office:*

P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Non-executive Directors:*

Mr. Yan Zhi (*Co-chairman*)  
Mr. Xia Yu

*Head Office and Principal Place of Business in  
Hong Kong:*

Suite 2101, 21st Floor  
Two Exchange Square  
Central  
Hong Kong

*Independent non-executive Directors:*

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

4 March 2022

*To the Offer Shareholders:*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA INFRASTRUCTURE & LOGISTICS GROUP LTD.  
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED  
BY HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

#### INTRODUCTION

References are made to the Joint Announcement and the joint announcement of the Company and the Offeror dated 19 January 2022.

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## LETTER FROM THE BOARD

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As disclosed in the Joint Announcement, on 31 December 2021, among others, the Offeror and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the First Vendor and the Second Vendor conditionally agreed to sell, and the Offeror conditionally agreed to acquire the Sale Shares, representing approximately 74.81% of the total issued share capital of the Company as at the date of the Joint Announcement, at a total cash consideration of HK\$1,484,018,799.50, which is equivalent to HK\$1.15 per Sale Share. The Completion took place on 18 January 2022 in accordance with the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Offeror and parties acting in concert with it held a total of 1,290,451,130 Shares, representing approximately 74.81% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, following Completion, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares, other than those Shares already owned by and/or agreed to be acquired by the Offeror and parties acting in concert with it. CICC will, on behalf of the Offeror, make the Offer in cash in compliance with the Takeovers Code. The Offer Price is HK\$1.15 in cash for each Offer Share.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Share Offer, (ii) the letter from CICC containing, among others, details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Offer Shareholders in relation to the Share Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offer; and (v) procedures for acceptance of the Share Offer.

Further details of the Share Offer are set out in Appendix I to the Composite Document of which this letter forms part, and in the accompanying Form of Acceptance and Transfer.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, an independent committee of the Board comprising all the non-executive Directors who have no direct or indirect interest in the Share Offer, namely, Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, has been formed in accordance with Rule 2.8 of the Takeovers Code for the purpose of advising and giving a recommendation to the Offer Shareholders in respect of the Share Offer and in particular as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer. Mr. Yan Zhi and Mr. Xia Yu are representatives of the Vendors on the Board and are deemed to have material interest in the Share Offer and therefore would not sit on the Independent Board Committee.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Share Offer, as to whether the terms of the Share Offer are fair and reasonable, and as to the acceptance of the Share Offer pursuant to Rule 2.1 of the Takeovers Code.

The full text of the letter from the Independent Board Committee addressed to the Offer Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Offer Shareholders are set out in the Composite Document. **You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Share Offer.**

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## LETTER FROM THE BOARD

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### THE OFFER

As at the Latest Practicable Date, there were 1,725,066,689 Shares in issue. There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities of the Company as at the Latest Practicable Date.

#### Principal terms of the Offer

As disclosed in the “Letter from CICC” on pages 7 to 19 of the Composite Document, CICC, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Share Offer to acquire all the Offer Shares on terms set out in the Composite Document on the following basis:

**For each Offer Share ..... HK\$1.15 in cash**

The Offer Price of HK\$1.15 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Price will not be affected by the deduction of the Consideration, if any, as stipulated in the section headed “The Sale and Purchase Agreement — Consideration” in the Joint Announcement. As at the Latest Practicable Date, (i) the Company had not made, declared or paid any dividend; and (ii) the Company did not have any intention to make, declare or pay any future dividend/make other distributions until after the Closing Date.

**As disclosed in the “Letter from CICC”, the Offeror will not increase the Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.**

Further details regarding the Share Offer, including the terms and procedures for acceptance of the Share Offer are set out in the “Letter from CICC” and Appendix I to the Composite Document and the accompanying Form of Acceptance and Transfer.

### INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability. The Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The Group’s principal business is the investment in and 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 the supply chain management and trading business.

Financial and general information in relation to the Group are set out in Appendix II titled “Financial Information of the Group” and Appendix III titled “General Information of the Group” to the Composite Document.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

Shareholders	Nature of Interest	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
		<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Offeror and parties acting in concert with it					
The Offeror	Beneficial owner	—	—	1,290,451,130	74.806
The First Vendor (Note 1)	Beneficial owner	882,440,621	51.154	—	—
The Second Vendor (Note 2)	Beneficial owner	408,010,509	23.652	—	—
Subtotal		1,290,451,130	74.806	1,290,451,130	74.806
Public Shareholders	Beneficial owner	434,615,559	25.194	434,615,559	25.194
Total		1,725,066,689	100	1,725,066,689	100

*Notes:*

- The First Vendor is directly wholly-owned by the First Warrantor, which in turn is wholly-owned by the Second Warrantor, Mr. Yan Zhi. By virtue of the SFO, the Second Warrantor is deemed to be interested in the 882,440,621 Shares held by the First Vendor. Pursuant to the Sale and Purchase Agreement, as the Remaining Balance shall be payable by the Offeror to the First Vendor within 90 Business Days after the date of which the Completion occurs, the First Vendor is presumed to be acting in concert with the Offeror under Class (9) of the definition of “acting in concert” under the Takeovers Code prior to the full settlement of the Remaining Balance by the Offeror.
- The Second Vendor is directly wholly-owned by the Second Warrantor, Mr. Yan Zhi. By virtue of the SFO, the Second Warrantor is deemed to be interested in the 408,010,509 Shares held by the Second Vendor. Pursuant to the Sale and Purchase Agreement, as the Second Payment and the Remaining Balance shall be payable by the Offeror to the Second Vendor after Completion, the Second Vendor is presumed to be acting in concert with the Offeror under Class (9) of the definition of “acting in concert” under the Takeovers Code prior to the full settlement of the Remaining Balance by the Offeror.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Letter from CICC — Information of the Offeror” and Appendix III “Information to the Offeror” to the Composite Document.

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## LETTER FROM THE BOARD

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### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Please refer to the paragraphs headed “Intention of the Offeror in relation to the Group” and “Proposed change of the Board composition” in the section headed “Letter from CICC” in the Composite Document for detailed information on the Offeror’s intention on the business and management of the Group.

The Board is pleased to note that the Offeror intends to continue the existing principal businesses of the Group following the close of the Share Offer. The Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the date of the Composite Document, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group.

Save for the anticipated changes to the members of the Board as described in paragraph headed “Proposed change of the Board composition” in the section headed “Letter from CICC” and the proposed change of certain directors and/or senior management of certain subsidiaries of the Group, the Company is given to understand from the Offeror that they have no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Group (other than those in its ordinary and usual course of business).

Based on the above, the Board is of the view that the intentions of the Offeror in relation to the Group and its employees are reasonable as it would ensure continuity and stability of the Group’s business operations going forward and are not expected to have a material adverse impact on the existing business of the Group. The Board is willing to render reasonable cooperation to Offeror to support its intention regarding the Group to the extent it considers that it is in the interests of the Company and Shareholders as a whole.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Pursuant to the Listing Rules, if, at the closing of the Share Offer, less than the minimum prescribed percentage of public float applicable to the Company, being 25.0% of the issued share capital of the Company, are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.



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## LETTER FROM THE BOARD

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Therefore, it should be noted that upon closing of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Board noted from the “Letter from CICC” in the Composite Document that: (i) the Offeror intends to maintain the listing of the Shares on the Stock Exchange; and (ii) the sole director of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer. These appropriate steps may include but not limited to disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue further announcement(s) as and when necessary in this regard.

### RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 26 to 27 of the Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 28 to 54 of the Composite Document, which contain, among other things, their advice in relation to the Share Offer and the principal factors considered by them in arriving at their recommendation. The Offer Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to the Composite Document. You are also recommended to read carefully Appendix I titled “Further Terms of the Share Offer” to the Composite Document and the accompanying Form of Acceptance and Transfer for further details in respect of the procedures for acceptance of the Share Offer.

In considering what action to take in connection with the Share Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the board of directors of  
**China Infrastructure & Logistics Group Ltd.**  
**Yan Zhi**  
*Co-Chairman*

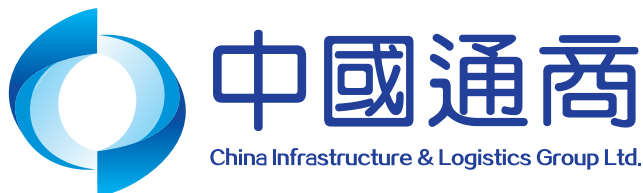


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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Offer Shareholders in respect of the Offer prepared for the purpose of inclusion in the Composite Document.*



**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)**

4 March 2022

*To the Offer Shareholders:*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA INFRASTRUCTURE & LOGISTICS GROUP LTD.  
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED  
BY HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 4 March 2022 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Composite Document.

We have been appointed by the Board to constitute the Independent Board Committee to consider the terms of the Share Offer and to advise you (i.e. the Offer Shareholders) as to whether or not, in our opinion, the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned, and to make recommendation in respect of the acceptance of the Share Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the Share Offer and, in particular, whether the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned, and to make recommendation in respect of the acceptance of the Share Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 28 to 54 of the Composite Document.

We further draw your attention to the “Letter from CICC” set out on pages 7 to 19 of the Composite Document which contains, among other things, information about the Offer. We also draw your attention to the “Letter from the Board” set out on pages 20 to 25 of the Composite Document and the additional information set out in the Composite Document, including the Appendices to the Composite Document and the accompanying Form of Acceptance and Transfer in respect of the terms of the Share Offer and acceptance and settlement procedures for the Offer.

### RECOMMENDATION

Taking into account the terms of the Offer and the Independent Financial Adviser’s advice and recommendations, we consider that the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Share Offer. Offer Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” set out in the Composite Document.

However, for those Offer Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Share Offer. Should the market price of the Shares exceed the Offer Price during the period of the Share Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, the Offer Shareholders may wish to consider selling their Shares in the market instead of accepting the Share Offer.

In any case, the Offer Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Offer Shareholders should consult their own professional advisers for advice. Furthermore, the Offer Shareholders who wish to accept the Share Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in the Composite Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,  
For and on behalf of  
**the Independent Board Committee of**  
**China Infrastructure & Logistics Group Ltd.**  
**Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua,**  
**Mr. Wong Wai Keung, Frederick**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer, which has been prepared for the purpose of incorporation in this Composite Document.*



RAINBOW CAPITAL (HK) LIMITED  
泓博資本有限公司

4 March 2022

*To: the Independent Board Committee*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF HUBEI PORT (HONG KONG)  
INTERNATIONAL LIMITED TO ACQUIRE ALL  
THE ISSUED SHARES OF  
CHINA INFRASTRUCTURE & LOGISTICS GROUP LTD. (OTHER  
THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED BY  
HUBEI PORT (HONG KONG) INTERNATIONAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Share Offer, details of which are set out in the “Letter from the Board” of this Composite Document to the Shareholders dated 4 March 2022, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

On 31 December 2021, the Offeror and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the First Vendor and the Second Vendor conditionally agreed to sell, and the Offeror conditionally agreed to acquire, the Sale Shares (882,440,621 Shares of which are from the First Vendor and 408,010,509 Shares of which are from the Second Vendor, respectively), representing approximately 74.81% of the total issued share capital of the Company as at the Latest Practicable Date, at the Consideration of HK\$1,484,018,799.50 (equivalent to HK\$1.15 per Sale Share). Completion took place on 18 January 2022 in accordance with the terms and conditions of the Sale and Purchase Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under Rule 26.1 of the Takeovers Code, upon Completion, CICC, for and on behalf of the Offeror, is making the Share Offer to acquire all the Offer Shares at the Offer Price of HK\$1.15 per Offer Share which is equal to the price per Sale Share under the Sale and Purchase Agreement.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, has been formed to advise and give a recommendation to the Offer Shareholders in respect of the Share Offer, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. Mr. Yan Zhi and Mr. Xia Yu are representatives of the Vendors on the Board and are deemed to have material interest in the Share Offer. The Independent Board Committee has approved the appointment of Rainbow Capital as the Independent Financial Adviser to the Independent Board Committee in the same regard.

We are not associated or connected financially or otherwise with the Company, the Offeror, their respective substantial shareholders and professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, there was no engagement or connection between the Group or the Offeror on one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Composite Document; (ii) the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021; (iii) the information and options provided by the Directors and the management of the Group; and (iv) the relevant public information including (a) the data from National Bureau of Statistics of the PRC and the Ministry of Transport of the PRC and (b) the data and financial information in relation to the Company and the Comparable Companies (defined below) from the website of the Stock Exchange and Bloomberg.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Composite Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Composite Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Composite Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

The Offer Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in this Composite Document during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Offer Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Offeror or any of their respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Offer Shareholders of acceptance or non-acceptance of the Share Offer since these depend on their individual circumstances. In particular, the Offer Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL TERMS OF THE SHARE OFFER

CICC, for and on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code to acquire all the Offer Shares on the following terms:

**For each Offer Share.....HK\$1.15 in cash**

The Offer Price of HK\$1.15 is equal to the price per Sale Share under the Sale and Purchase Agreement. The Offer Price will not be affected by the deduction of the NAV Shortfall, if any, from the Consideration.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of the despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend which is outstanding and not yet paid; and (ii) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Share Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Share Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Further details of the Share Offer including, among other things, the expected timetable and the terms and procedures for acceptance of the Share Offer are set out in the sections headed “Expected timetable”, “Letter from CICC” and “Further terms of the Share Offer” to this Composite Document and the Forms of Acceptance and Transfer.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Share Offer, we have taken into account the following principal factors and reasons:

#### 1. Information and historical financial performance of the Group

The Group is principally engaged in (i) terminal and related business, comprising provision of terminal service, container handling, storage and other service, and general and bulk cargoes handling service; (ii) integrated logistics business, comprising provision of agency and integrated logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management; (iii) property business, comprising port and warehouse leasing; and (iv) supply chain management and trading business, comprising sourcing, procurement and trading of commodities. The businesses of the Group are mainly conducted through its various ports, including the WIT Port (武漢陽邏港), the Multi-Purpose Port (通用港口), the Hannan Port (漢南港) and the Shipai Port (石牌港), all located in the Yangtze River Basin in Hubei Province, the PRC.

##### *(i) Financial performance*

Set out below is a summary of (a) the audited financial information of the Group for the two years ended 31 December 2020 (“FY2019” and “FY2020”, respectively) as extracted from the annual report of the Company for FY2020 (the “**2020 Annual Report**”); and (b) the unaudited financial information of the Group for the six months ended 30 June 2020 and 2021 (“**2020 Interim**” and “**2021 Interim**”, respectively) as extracted from the interim report of the Company for 2021 Interim (the “**2021 Interim Report**”):

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	For the year ended 31 December		For the six months ended 30 June	
	2019	2020	2020	2021
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(audited)	(audited)	(unaudited)	(unaudited)
			(restated)	
<b>Continuing operations (Note 1)</b>				
<b>Revenue</b>	352,021	443,550	75,233	122,512
– Terminal service	101,981	82,006	43,013	44,537
– Integrated logistics business	62,670	34,577	13,000	20,602
– Property business	8,617	13,455	5,267	4,526
– Container handling, storage & other service	25,129	24,839	12,050	11,578
– General and bulk cargoes handling service	7,232	13,515	1,903	8,148
– Supply chain management and trading business	19,922	249,470	–	33,121
– Construction services (Note 2)	126,470	25,688	–	–
<b>Gross profit</b>	104,564	90,428	42,242	41,539
<i>Gross margin</i>	29.7%	20.4%	56.1%	33.9%
Other income	18,104	26,239	4,237	1,532
General, administrative and other operating expenses (excluding depreciation and amortisation)	(49,404)	(57,364)	(18,821)	(22,438)
<b>Operating profit</b>	73,264	59,303	27,658	20,633
Finance costs – net	(19,554)	(35,039)	(9,658)	(14,050)
Depreciation and amortisation	(30,283)	(32,535)	(14,864)	(15,878)
Change in fair value of investment properties	31,732	44,740	(10,828)	27,695
Loss on disposal of subsidiaries	–	–	–	(5,988)
<b>Profit/(Loss) before income tax</b>	55,392	36,802	(7,987)	12,486
Income tax expense	(17,900)	(14,390)	(909)	(6,858)
<b>Profit/(Loss) attributable to the Shareholders</b>	34,530	25,860	(8,151)	13,742
– Continuing operations	34,530	25,860	(6,796)	7,352
– Discontinued operation	–	–	(1,355)	6,390
<b>Net cash generated from/(used in) operating activities</b>	49,867	8,635	(20,086)	21,881



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. *On 1 March 2021, the Group entered into an agreement to dispose of its 60% equity interest in Shayang County Guoli Transportation Investment Co., Limited, which is principally engaged in the investment, construction, development, management and operation of port and logistics infrastructure. Such disposal was completed in March 2021.*
2. *On 21 May 2021, the Group entered into an agreement to dispose of its 100% equity interest in Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd. (“**Zhongji Tongshang Construction**”) which represented the entire construction business segment of the Group. Such disposal was completed in June 2021. The Group discontinued its operation in the provision of construction services. As a result, the results of Zhongji Tongshang Construction for the six months ended 30 June 2021 were presented as discontinued operation with the comparative figures restated.*

*(a) FY2020 compared to FY2019*

For FY2020, the Group’s revenue was approximately HK\$443.6 million, representing an increase of approximately 26.0% from approximately HK\$352.0 million for FY2019. Such increase was primarily due to (1) the significant increase in revenue of approximately HK\$229.5 million from the supply chain management and trading business as most of which was contributed by the cement and non-ferrous metals trading business which commenced in the second half of 2020; (2) the increase in revenue of approximately HK\$4.8 million in the property business due to the commencement of the lease for the stacking yard at the WIT Port since November 2019; and (3) the increase in revenue of approximately HK\$6.3 million from general and bulk cargoes handling service as a result of the cooperation with Wuhan Jingkai Port Company Limited in relation to the operation of Wuhan Jingkai Port starting from January 2020, which were partially offset by (1) the significant decrease in revenue of approximately HK\$100.8 million from construction services arising from the slow progress of the construction projects due to the COVID-19 outbreak during the first half of 2020; (2) the decrease in integrated logistics service income of approximately HK\$28.1 million as the Group reduced its service coverage from provision of freight forwarding, customs clearance, transportation of containers and logistics management to only certain sections of the service chain, such as custom declaration and inspection services, in view of the rising credit risk of the Group’s customers under the impact of the COVID-19 outbreak; and (3) the decrease in revenue of approximately HK\$20.0 million from terminal service due to the impact of the COVID-19 outbreak and the lower tariff rates charged to align with those charged by neighbouring ports.

Gross profit decreased by approximately 13.5% from approximately HK\$104.6 million for FY2019 to approximately HK\$90.4 million for FY2020 whereas gross profit margin declined from approximately 29.7% for FY2019 to approximately 20.4% for FY2020. Such decrease was mainly attributable to (1) the significant increase in revenue from the supply chain management and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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trading business which entails lower gross profit margin; and (2) the decrease in revenue from terminal service which entails higher gross profit margin. The decrease in operating profit from approximately HK\$73.3 million for FY2019 to approximately HK\$59.3 million for FY2020 was in line with that in gross profit.

Profit attributable to the Shareholders decreased by approximately 25.1% from approximately HK\$34.5 million for FY2019 to approximately HK\$25.9 million for FY2020. Such decrease was mainly attributable to (1) the decrease in operating profit of approximately HK\$14.0 million as mentioned above; (2) the increase in finance costs on bank and other borrowings of approximately HK\$15.5 million as no interest has been capitalised on projects under development for FY2020 as development was held back by COVID-19 (for FY2019: approximately HK\$12.3 million of interests were capitalised); and (3) the increase in losses from the Shayang Port and the Shipai Port shared by the non-controlling interests, primarily due to the impact of the COVID-19, which were partially offset by the increase in change in fair value of investment properties of approximately HK\$13.0 million. The Group generated net cash from operating activities of approximately HK\$49.9 million and HK\$8.6 million for FY2019 and FY2020, respectively.

*(b) 2021 Interim compared to 2020 Interim*

The increase in revenue from continuing operations by approximately 62.8% from approximately HK\$75.2 million for 2020 Interim to approximately HK\$122.5 million for 2021 Interim was mainly driven by the increase in overall business volume due to the economic recovery after the COVID-19 pandemic was contained in the second half of 2020. Such increase was primarily attributable to (1) the significant increase in revenue of approximately HK\$33.1 million from the supply chain management and trading business as most of which was contributed by the cement trading business which commenced in the second half of 2020; (2) the increase in revenue of approximately HK\$7.6 million from integrated logistics service due to the increase in business volume from the Hannan Port; (3) the increase in revenue of approximately HK\$1.5 million from the terminal service business mainly due to the increase in container throughput which was partially offset by the lowering of overall tariff rates to align with those charged by neighbouring ports; and (4) the increase in revenue of approximately HK\$6.2 million from general and bulk cargo handling service conducted through the Hannan Port and the Shipai Port. As advised by the management of the Group, the business activities of the Group were generally low during 2020 Interim, as affected by the COVID-19 outbreak. Given the low base in 2020 Interim and the market recovery after the containment of the COVID-19 pandemic in the second half of 2020, the business activities rebound which resulted in the increase in revenue for 2021 Interim as compared to that for 2020 Interim.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Gross profit decreased by approximately 1.7% from approximately HK\$42.2 million for 2020 Interim to approximately HK\$41.5 million for 2021 Interim whereas gross profit margin declined from approximately 56.1% for 2020 Interim to approximately 33.9% for 2021 Interim. Such decrease was mainly due to the higher proportion of income generated from supply chain management and trading business which generated significantly lower gross profit margin as compared to that of terminal service. Revenue generated from terminal service decreased from approximately 57.2% of total revenue for 2020 Interim to approximately 36.4% of total revenue for 2021 Interim, whereas revenue generated from supply chain management and trading business increased from nil for 2020 Interim to approximately 27.0% of total revenue for 2021 Interim.

Operating profit decreased by approximately 25.4% from approximately HK\$27.7 million for 2020 Interim to approximately HK\$20.6 million for 2021 Interim as a result of (1) the drop in gross profit of approximately HK\$0.7 million as mentioned above; (2) the decrease in other income of approximately HK\$2.7 million mainly due to the decrease in income of approximately HK\$2.0 million received from a tenant of the Hannan Port following the Group's winning of a lawsuit on rental dispute with a lessee in 2020 Interim, which was not replicated in 2021 Interim; and (3) the increase in general, administrative and other operating expenses (excluding depreciation and amortisation) of approximately HK\$3.6 million due to the resumption of work of the staff after the COVID-19 pandemic was contained.

Profit attributable to the Shareholders from continuing operations for 2021 Interim was approximately HK\$7.4 million, as compared to loss attributable to the Shareholders from continuing operations of approximately HK\$6.8 million for 2020 Interim. Such turnaround was mainly attributable to the fair value gain of investment properties of approximately HK\$27.7 million for 2021 Interim as compared to the fair value loss of investment properties of approximately HK\$10.8 million for 2020 Interim, which was partially offset by (1) the decrease in operating profit of approximately HK\$7.0 million as mentioned above; (2) the increase in finance costs – net of approximately HK\$4.4 million due to the absence of capitalisation of interest expenses for 2021 Interim (for 2020 Interim: approximately HK\$7.6 million of interests were capitalised based on the unaudited consolidated management accounts of the Group); All the capitalised interests for 2020 Interim were subsequently adjusted and recognised as finance costs in the audited consolidated financial statements of the Group for FY2020, as development was held back by COVID-19; (3) the loss on disposal of subsidiaries of approximately HK\$6.0 million for 2021 Interim (for 2020 Interim: no gain or loss on disposal of subsidiaries); and (4) the increase in income tax expense of approximately HK\$5.9 million for 2021 Interim. The Group generated net cash from operating activities of approximately HK\$21.9 million for 2021 Interim, as compared to net cash used in operating activities of approximately HK\$20.1 million for 2020 Interim. We consider that the fair value gain of investment properties for 2021 Interim was not derived from the principal business operation of the Group and may not be recurring in the future.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(ii) Financial position**

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2019 and 2020 and 30 June 2021 as extracted from the 2020 Annual Report and the 2021 Interim Report:

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
<b>Non-current assets, including:</b>	1,478,833	1,619,750	1,434,327
– Investment properties	676,878	768,298	809,040
– Property, plant and equipment	545,662	590,827	546,733
– Construction in progress	196,553	197,317	24,928
<b>Current assets, including:</b>	350,637	250,476	225,823
– Trade and other receivables	95,831	137,541	142,242
– Cash and cash equivalents	93,327	38,180	36,844
<b>Total assets</b>	1,829,470	1,870,226	1,660,150
<b>Current liabilities, including:</b>	599,725	634,627	433,159
– Trade and other payables	314,445	291,080	220,117
– Amount due to a non-controlling interest	53,357	59,410	–
– Amount due to the controlling shareholder	56,131	56,131	56,131
– Bank borrowings	83,772	120,915	51,840
– Other borrowings	62,084	76,447	85,007
<b>Net current liabilities</b>	249,088	384,151	207,336
<b>Non-current liabilities, including:</b>	387,419	313,294	321,019
– Bank borrowings	172,605	116,820	153,360
– Other borrowings	130,604	97,112	62,520
– Deferred tax liabilities	78,520	95,112	101,480
<b>Total liabilities</b>	987,144	947,921	754,178
<b>Net assets</b>	842,326	922,305	905,972
<b>Equity attributable to the Shareholders</b>	693,073	767,527	791,128
<b>Current ratio (Note 1)</b>	0.6	0.4	0.5
<b>Net gearing ratio (Note 2)</b>	59.0%	56.4%	39.9%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

- 1. Being current assets divided by current liabilities.*
- 2. Being total interest-bearing borrowings (including bank borrowings, other borrowings and amount due to a non-controlling interest) net of cash and cash equivalents over equity attributable to the Shareholders.*

As at 30 June 2021, total assets of the Group were approximately HK\$1,660.2 million, which mainly consisted of (a) investment properties of approximately HK\$809.0 million, including (1) port and warehouses in the Hannan Port; (2) a logistics centre adjacent to the Shayang Port; and (3) a stacking yard and certain warehouses at the WIT Port; (b) property, plant and equipment of approximately HK\$546.7 million, including port facilities and terminal equipment; (c) trade and other receivables of approximately HK\$142.2 million; and (d) cash and cash equivalents of approximately HK\$36.8 million.

As at 30 June 2021, total liabilities of the Group were approximately HK\$754.2 million, which mainly consisted of (a) trade and other payables of approximately HK\$220.1 million; (b) amount due to the controlling shareholder of approximately HK\$56.1 million which was unsecured, interest-free and repayable on demand; (c) bank borrowings of approximately HK\$205.2 million; (d) other borrowings of approximately HK\$147.5 million; and (e) deferred tax liabilities of approximately HK\$101.5 million.

As at 30 June 2021, the Group has pledged the equity interests of certain subsidiaries and certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits to secure certain bank and other borrowings of the Group. The Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group whereas some of the Group's other borrowings were guaranteed by (a) the Company and the Second Vendor; or (b) certain subsidiaries of the Group.

The Group had net current liabilities of approximately HK\$207.3 million with a current ratio of approximately 0.5 time as at 30 June 2021. However, as stated in the 2021 Interim Report, the Directors consider that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and meet its financial obligations as and when they fall due for at least the next twelve months from 30 June 2021 given the Group's current and forecasted cash positions and the continued financial support provided by the then controlling Shareholder, Mr. Yan Zhi. The net gearing ratio of the Group was approximately 39.9% as at 30 June 2021. As advised by the management of the Group, it is expected that Hubei Port Group Company Limited (湖北省港口集團有限公司), being the sole shareholder of the Offeror, will provide financial support to the Group for the next twelve months from 31 December 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the unaudited equity attributable to the Shareholders of approximately HK\$791.1 million as at 30 June 2021 and 1,725,066,689 issued Shares as at the Latest Practicable Date, the net asset value per Share was approximately HK\$0.46.

**(iii) Overall comment**

The revenue of the Group is primarily driven by (a) the terminal and related business which comprises provision of terminal service, container handling, storage and other service and general and bulk cargoes handling service; and (b) the supply chain management and trading business. As compared with other ports in Wuhan, the impact of the COVID-19 pandemic to the Group for FY2020 was relatively less severe, given the WIT Port and the Multi-Purpose Port have been designated as the major ports of unloading daily necessities and protective equipment and materials to fight against the pandemic. As the economy gradually recovered after the COVID-19 pandemic was contained in the second half of 2020, the Group's overall business volume increased for 2021 Interim.

While the Group's revenue increased by approximately 26.0% and 62.8%, its gross profit decreased by approximately 13.5% and 1.7% for FY2020 and 2021 Interim, respectively, as compared to the previous year or period, primarily attributable to the increase in proportion of revenue generated from the supply chain management and trading business which entails lower gross profit margin. The Group recorded a decrease in operating profit for FY2020 and 2021 Interim, mainly due to the decrease in gross profit and the increase in general, administrative and other operating expenses as a result of the increase in the overall revenue. Profit attributable to the Shareholders was largely affected by operating profit, finance costs and change in fair value of investment properties.

Given the increase in the overall business volume and the pickup of the overall gross profit margin for 2021 Interim as compared to that for FY2020, we expect that the financial performance of the Group will continue to pick up steadily as the economy gradually recovers from the COVID-19 pandemic. However, there is a risk that the economy and the financial performance of the Group may suffer again, if the COVID-19 pandemic situation deteriorated.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Information on the Offeror and their intention regarding the Group

Details on the information on the Offeror and its intention regarding the Group are set out in the sections headed “Information on the Offeror” and “Intention of the Offeror in relation to the Group” in the “Letter from CICC” in this Composite Document, which are summarised as follows:

#### (i) *Information on the Offeror*

The Offeror is an investment holding company incorporated in Hong Kong with limited liability on 3 December 2021, the shares of which are owned as to 100% by Hubei Port Group which is controlled by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People’s Government\* (武漢市人民政府國有資產監督管理委員會). Hubei Port Group is a company principally engaged in the investment in and construction of infrastructures and the operation of ports, as well as the provision of other services including integrated logistics and supply chain management. Prior to Completion, the Offeror and its ultimate beneficial owners were Independent Third Parties.

#### (ii) *Intention of the Offeror regarding the Group*

##### (a) *Business*

As set out in the “Letter from CICC” in this Composite Document, following the close of the Share Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future development and expansion of the Group’s principal business. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Save for the Offeror’s intention regarding the Group as mentioned above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror has no intention to redeploy any fixed assets of the Group (other than in the ordinary and usual course of business of the Group) as at the Latest Practicable Date. However, the Offeror expressly reserves the right to make any changes that it deems necessary, appropriate or convenient in light of their review of the Group, in light of future developments or in order to better integrate, generate maximum synergy or exploit full economies of scale with other operations of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Board composition*

As at the Latest Practicable Date, the Board is made up of 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. The Offeror intends to retain Dr. Mao Zhenhua as an independent non-executive Director and replace the remaining members of the Board with the new Directors nominated by the Offeror, details of which are set out below.

The Offeror has nominated (1) Mr. Li Xiaoming and Mr. Qiao Yun as the new executive Directors; (2) Ms. Zhou Wei and Mr. Xu Aoling as the new non-executive Directors; and (3) Mr. Chau Kwok Keung and Mr. Fu Xiping as the new independent non-executive Directors. The appointment of the new Directors will take effect on the close of the Share Offer. The new Directors will hold office only until the first annual general meeting of the Company and be subject to re-election at such meeting. For the biographies of the new Directors, please refer to the section headed “Proposed change of the Board composition” in the “Letter from CICC” in this Composite Document.

Given (1) the proposed Directors possess years of commercial experiences in the operation of container terminals, asset management and financial planning and management and solid research experience in international logistics and supply chain management; (2) the proposed Directors to the Board share diverse background, including cargo terminal management, container handling, education, corporate finance and financial services and real estate, as well as their hands-on experience in enterprise management and (3) Hubei Port Group, the holding company of the Offeror, is engaged in the same businesses as the Group does and therefore has relevant experience in managing the businesses of the Group, we consider the proposed change to the members of the Board will not have a material impact on the existing operation of the Group.

*(c) Maintenance of the Company's listing status*

As stated in “Letter from CICC” in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer. These appropriate steps may include but not limited to disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Industry overview and outlook

The Group is principally engaged in investment in and 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 the supply chain management and trading business, mainly conducted through its various ports, including the WIT Port (武漢陽邏港), the Multi-Purpose Port (通用港口), the Hannan Port (漢南港) and the Shipai Port (石牌港), all located in the Yangtze River Basin in Hubei Province, the PRC. All Group's revenues for FY2019, FY2020 and 2021 Interim were sourced from external customers located in the PRC.

#### (i) The PRC and Hubei province

The table below sets out the real gross domestic product ("GDP") growth of the PRC and Hubei Province for the years or period indicated:

Real GDP YoY growth/ (contraction)	2016	2017	2018	2019	2020	2021
The PRC	6.7%	6.8%	6.6%	6.0%	2.2%	8.1%
Hubei Province	8.1%	7.8%	7.8%	7.3%	(5.0%)	12.9%

*Source: National Bureau of Statistics of the PRC*

The PRC's real GDP growth declined gradually from 2017 to 2019. Adversely affected by the COVID-19 outbreak since early 2020, the PRC's economic growth decelerated significantly to 2.2% in 2020. Due to the low base in the corresponding period in 2020 and the success in containing COVID-19, the PRC's economy expanded rapidly at 8.1% in 2021 which is higher than the growth rates prior to the COVID-19 outbreak. According to the World Economic Outlook published by International Monetary Fund ("IMF") in October 2021, the PRC economy is forecast to grow by 5.6% and 5.3% for 2022 and 2023, respectively.

Hubei Province has been most affected by the COVID-19 outbreak among all provinces in the PRC. In order to control the spread of the epidemic, several cities in Hubei Province were put on lockdown for months, including Wuhan City and Jingmen City where the Group's ports are located. The real GDP of Hubei Province shrank by 5.0% in 2020. Due to the low base in the corresponding period in 2020 and the success in containing COVID-19, the economy of Hubei Province grew significantly by approximately 12.9% in 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(ii) Port industry**

The table below sets out the port cargo throughput, container throughput and waterway freight traffic of the PRC and Hubei Province for the years or periods indicated:

	2019	2020	2021
<b>The PRC:</b>			
Port cargo throughput (million tons)	13,950.83	14,549.91	15,545.34
Container throughput (million twenty-foot equivalent units (“TEUs”))	261.07	264.30	282.72
Waterway freight traffic volume (million tons)	7,472.25	7,616.30	8,239.73
<b>Hubei Province:</b>			
Port cargo throughput (million tons)	306.61	379.76	488.31
Container throughput (million TEUs)	2.09	2.29	2.84
Waterway freight traffic volume (million tons)	391.05	407.13	476.25

*Source: Ministry of Transport of the PRC*

*Note:*

*Since 2019, the scope of port statistics has been adjusted by the Ministry of Transport of the PRC. The adjusted statistics before 2019 are not available.*

The historical growth of the port industry in terms of port cargo throughput, container throughput and waterway freight traffic volume is generally higher in Hubei Province, as compared to those in the PRC as a whole, as illustrated below:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the PRC, the port cargo throughput increased by approximately 4.3% to approximately 14.5 billion tons in 2020 and further increased by approximately 6.8% to approximately 15.5 billion tons in 2021. The container throughput increased by approximately 1.2% to approximately 264.3 million TEUs in 2020 and further increased by approximately 7.0% to approximately 282.72 million TEUs in 2021. The waterway freight traffic volume increased by approximately 1.9% to approximately 7.6 billion tons in 2020 and further increased by approximately 8.2% to approximately 8.2 billion tons in 2021.

For Hubei Province, while the economy shrank due to the COVID-19 pandemic, the port cargo throughput increased significantly by approximately 23.9% to approximately 379.8 million tons in 2020 and further increased by approximately 28.6% to approximately 488.3 million tons in 2021. The container throughput increased by approximately 9.6% to approximately 2.3 million TEUs in 2020 and further increased by approximately 24.0% to approximately 2.8 million TEUs in 2021. The waterway freight traffic volume increased by approximately 4.1% to approximately 407.1 million tons in 2020 and further increased by approximately 17.0% to approximately 476.3 million tons in 2021.

Due to the increase in operating cost to fulfill epidemic prevention requirements, several ports in the PRC including, amongst others, Ningbo port, Shanghai port, and Guangzhou port, have announced an increase in fees and charges recently. With the global outbreak of Omicron, a new variant of COVID-19, since the end of 2021, the operating cost and therefore the fees charged by port operators in the PRC are expected to increase further.

### **(iii) Outlook**

As stated in the 2021 Interim Report, under the new development pattern in the PRC, Wuhan is ordained to be the main development centre of the “Belt and Road (一帶一路)” strategy and the “Yangtze River Economic Belt (長江經濟帶)”. During the 14th Five-Year Plan (2021 to 2025) period, Hubei Province and Wuhan City successively introduced policies to support the development of the port and shipping industry. The Hubei Provincial Government has issued a three-year action plan for the development of multimodal transport across the province to facilitate multimodal transport with an aim to continuously optimise the transportation structure, enhance the transportation efficiency and reduce logistics costs for the establishment of national multimodal transportation in the province.

According to 湖北省港口資源整合工作方案 (Integration Work Plan for Port Resources of Hubei Province) (the “**Work Plan**”) published by the government of Hubei Province in June 2021, the government of Hubei Province, through Hubei Port Group, the holding company of the Offeror, is integrating port resources through asset integration and business reorganisation. Such integration aims to build a leading port brand in Hubei, exert agglomeration effect and promote the development of the shipping center in the middle reaches of the Yangtze River and even the Yangtze River Economic Belt.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that the rapid economic growth of Hubei after the effective control of the COVID-19 pandemic, the rapid growth of the port industry in Hubei Province and the favourable national policies are beneficial to the development of the port industry in Hubei Province in the long run. It is expected that through the integration of port resources under the Work Plan implemented by the government of Hubei Province, the Group will be able to achieve synergy with other ports operated by Hubei Port Group.

As disclosed in the 2021 Interim Report, during the past few years, the Group has faced continuing price cutting competitions from the neighbouring ports in Yangluo Port area. We consider the competition in container tariff rates may be mitigated as a result of the integration of port resources under the Work Plan. However, it is difficult to quantify the potential synergy arising from the aforesaid integration at the current stage.

#### 4. Offer Price comparison

The Offer Price of HK\$1.15 per Offer Share represents:

- (i) a premium of approximately 6.5% over the closing price of HK\$1.08 per Share as quoted on the Stock Exchange on 29 December 2021, being the Last Trading Day;
- (ii) a premium of approximately 8.5% over the average closing price of approximately HK\$1.06 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 16.2% over the average closing price of approximately HK\$0.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 30.7% over the average closing price of approximately HK\$0.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 42.0% over the average closing price of approximately HK\$0.81 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) a premium of approximately 45.6% over the average closing price of approximately HK\$0.79 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 49.4% over the average closing price of approximately HK\$0.77 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 45.6% over the average closing price of approximately HK\$0.79 per Share based on the daily closing prices as quoted on the Stock Exchange for the 360 consecutive trading days immediately prior to and including the Last Trading Day;
- (ix) no premium or discount to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (x) a premium of approximately 161.4% over the audited consolidated equity attributable to the Shareholders of approximately HK\$0.44 per Share as at 31 December 2020, calculated by dividing the Group's audited consolidated equity attributable to the Shareholders of approximately HK\$767,527,000 as at 31 December 2020 by 1,725,066,689 Shares in issue as at the Latest Practicable Date; and
- (xi) a premium of approximately 150.0% over the unaudited consolidated equity attributable to the Shareholders of approximately HK\$0.46 per Share as at 30 June 2021, calculated by dividing the Group's unaudited consolidated equity attributable to the Shareholders of approximately HK\$791,128,000 as at 30 June 2021 by 1,725,066,689 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Trading performance of the Shares

#### (i) Historical Share price performance

Set out below is the movement of the closing prices of the Shares from 2 January 2020 to the Last Trading Day (i.e. 29 December 2021), being approximately two years, and up to the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg

As shown above, the closing prices of the Shares fluctuated during the Review Period. The closing price of the Shares decreased from HK\$0.73 on 2 January 2020 to the lowest of HK\$0.62 on 20 February 2020. It then rose gradually and reached HK\$1.01 on 11 August 2020. Afterwards, the closing price of the Shares exhibited a downward trend and researched HK\$0.65 on 17 May 2021 before it jumped to HK\$0.74 on 18 May 2021. During the period from 18 May 2021 to 13 August 2021, the Share price fluctuated between HK\$0.70 and HK\$0.87. It then remained relatively stable at around HK\$0.75 until 25 November 2021. The closing price of the Shares increased from HK\$0.75 on 25 November 2021 to HK\$1.08 on the Last Trading Day. As at the Latest Practicable Date, the Shares closed at HK\$1.15.

During the period from 2 January 2020 to the Last Trading Day, (a) the Shares were closed below the Offer Price at all times; and (b) the closing prices of the Shares fluctuated between HK\$0.62 and HK\$1.08, with an average and median of approximately HK\$0.77 (the “**Average Closing Price**”) and HK\$0.75, respectively. The Offer Price represented a premium of approximately 49.4% over the Average Closing Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(ii) Liquidity of the Shares**

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the period from 1 January 2020 to the Latest Practicable Date:

	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue (Note 1)	Approximate percentage of average daily trading volume to total number of Shares held by the public (Note 2)
<b>2020</b>			
January	48,000	0.0028%	0.0110%
February	124,400	0.0072%	0.0286%
March	74,364	0.0043%	0.0171%
April	70,526	0.0041%	0.0162%
May	87,800	0.0051%	0.0202%
June	189,012	0.0110%	0.0435%
July	499,491	0.0290%	0.1149%
August	267,429	0.0155%	0.0615%
September	174,000	0.0101%	0.0400%
October	157,333	0.0091%	0.0362%
November	57,162	0.0033%	0.0132%
December	109,636	0.0064%	0.0252%
<b>2021</b>			
January	67,400	0.0039%	0.0155%
February	42,000	0.0024%	0.0097%
March	52,823	0.0031%	0.0122%
April	10,316	0.0006%	0.0024%
May	47,800	0.0028%	0.0110%
June	41,048	0.0024%	0.0094%
July	602,301	0.0349%	0.1386%
August	417,455	0.0242%	0.0961%
September	358,533	0.0208%	0.0825%
October	120,889	0.0070%	0.0278%
November	589,000	0.0341%	0.1355%
December	585,000	0.0339%	0.1346%
<b>2022</b>			
January	6,850,133	0.3971%	1.5761%
February	753,176	0.0437%	0.1733%
1 March to the Latest Practicable Date	432,000	0.0250%	0.0994%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Based on the total number of Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.



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2. *Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by the First Vendor and the Second Vendor from the total number of Shares in issue at the end of each month or period.*

As illustrated above, the average daily trading volume for the respective month or period during the above period before the publication of the Joint Announcement ranged from approximately 10,316 Shares in April 2021 to approximately 602,301 Shares in July 2021, representing approximately 0.0006% to 0.0349% of the total number of Shares in issue and approximately 0.0024% to 0.1386% of the total number of Shares held by the public, respectively, indicating a relatively thin trading liquidity before the publication of the Joint Announcement.

Since the publication of the Joint Announcement on 10 January 2022, there has been a surge in trading volume of the Shares in January 2022, probably attributable to the market reaction to the Share Offer. The average daily trading volume decreased significantly to 753,176 Shares in February 2022, representing approximately 0.0437% of the total number of Shares in issue and approximately 0.1733% to the total number of Shares held by the public, respectively. As such, we consider the relatively high trading volume of the Shares in January 2020 may not sustain.

Given the relatively thin trading liquidity of the Shares in general as illustrated above, if the Offer Shareholders intend to dispose of a significant shareholding in the Company in the market within a short timeframe, it is possible that a downward pressure would be exerted on the market price of the Shares. In such circumstance, the Share Offer may represent an alternative exit for the Offer Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price. However, should the market price of the Shares exceed the Offer Price during the Offer Period and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, the Offer Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Company in the short-run.

### 6. **Comparable analysis**

Through development and operation of various ports located in the Yangtze River, the Group is principally engaged in provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading services.

#### *Selection of valuation multiples*

Price-to-earnings (“**P/E(s)**”), price-to-book (“**P/B(s)**”) and price-to-sale (“**P/S(s)**”) multiples are the three most commonly used benchmarks in valuing a company. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold significant tangible assets on their balance sheets and their book values approximate their fair market values such as real estate companies and banks whereas P/S is appropriate for valuing companies which have volatile earnings or loss but relatively stable revenue such as retailers offering general merchandise.

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Given (i) the Group was profit making for FY2019, FY2020 and 2021 Interim; and (b) the Group held significant tangible assets, including investment properties of approximately HK\$809.0 million and property, plant and equipment of approximately HK\$546.7 million as at 30 June 2021 which accounted for approximately 81.7% of total assets as at 30 June 2021, we consider that valuing the Group using P/E and P/B is more appropriate as compared to that using P/S.

Based on (i) the Offer Price of HK\$1.15 per Offer Share; (ii) 1,725,066,689 Shares in issue as at the Latest Practicable Date; and (iii) the profit attributable to Shareholders for the twelve months ended 30 June 2021 of approximately HK\$47.8 million, the P/E implied by the Offer Price is approximately 41.54 times (the “**Implied P/E**”).

Based on (i) the Offer Price of HK\$1.15 per Offer Share; (ii) 1,725,066,689 Shares in issue as at the Latest Practicable Date; and (iii) the unaudited equity attributable to the Shareholders of approximately HK\$791.1 million as at 30 June 2021, the P/B implied by the Offer Price is approximately 2.51 times (the “**Implied P/B**”).

### *Selection of comparable companies*

In evaluating the fairness and reasonableness of the Offer Price, we have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the “**Comparable Companies**”) which (i) are principally engaged in the operations of ports and related services in the PRC; and (ii) have their shares listed on Main Board of the Stock Exchange. Based on the aforesaid criteria, we have identified nine Comparable Companies.

The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Day	P/E	P/B
		(HK\$ million)	(Note 1) (times)	(Note 1) (times)
China Merchants Port Holdings Company Limited (“ <b>China Merchants Port</b> ”) (144.HK)	China Merchants Port is principally engaged in port-related businesses including ports operation and bonded logistics operation	53,831.51	6.47	0.59
Liaoning Port Company Limited (“ <b>Liaoning Port</b> ”) (2880.HK)	Liaoning Port is the biggest comprehensive port operator in Northeastern China and is principally engaged in port and related businesses	43,597.05	24.12	1.00

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Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Day  (HK\$ million)	P/E  (Note 1) (times)	P/B  (Note 1) (times)
Qingdao Port International Company Limited ("Qingdao Port") (6198.HK)	Qingdao Port mainly provides port related services. It mainly operates four port areas in Qingdao, including Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area	42,093.76	8.88	1.01
COSCO Shipping Ports Limited ("COSCO Shipping Ports") (1199.HK)	COSCO Shipping Ports is principally engaged in the terminal businesses including the operation of terminals, the handling, transportation and storage of containers, as well as the leasing, management and sales of containers and related businesses	22,477.71	8.04	0.51
Qinhuangdao Port Company Limited ("Qinhuangdao Port") (3369.HK)	Qinhuangdao Port is principally engaged in the provision of integrated port services including stevedoring, stacking, warehousing, transportation and logistics services	17,056.63	14.26	0.89
Tianjin Port Development Holdings Limited ("Tianjin Port Development") (3382.HK)	Tianjin Port Development is principally engaged in container and non-containerised cargo handling businesses, sales business and port ancillary services business	3,817.96	4.58	0.28
Xiamen International Port Company Limited ("Xiamen International") (3378.HK)	Xiamen International is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and port comprehensive logistics services	2,235.48	5.19	0.31

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Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Day  (HK\$ million)	P/E  (Note 1) (times)	P/B  (Note 1) (times)	
Rizhao Port Jurong Company Limited (“Rizhao Port”) (6117.HK)	Rizhao Port is principally engaged in comprehensive port-related services including stevedoring, berth leasing, port management, storage, and logistics agency services	929.60	5.34	0.33	
Tian Yuan Group Holdings Limited (“Tian Yuan”) (6119.HK)	Tian Yuan operates two terminals and is principally engaged in provision of bulk and general cargo uploading and unloading services, supply and sales of oil products and related ancillary value-added port services	198.00	8.89	0.55	
		Maximum	53,831.51	24.12	1.01
		Minimum	198.00	4.58	0.28
		Average	20,693.08	9.53	0.61
		Median	17,056.63	8.04	0.55
		The Share Offer	1,863.07	41.54	2.51
			(Note 2)	(Note 3)	(Note 4)

Source: Bloomberg and websites of the respective Comparable Companies

Notes:

1. Being the P/Es of the respective Comparable Companies calculated by dividing their respective market capitalisation on the Last Trading Day as extracted from Bloomberg by their respective profit attributable to the shareholders in the latest twelve months prior to the Last Trading Day (the “**LTM Profit**”). The LTM Profit of the respective Comparable Companies are calculated based on their respective profit attributable to the shareholders stated in their latest available 3rd quarter reports, interim reports and/or annual reports prior to the Last Trading Day; and

Being the P/Bs of the respective Comparable Companies calculated by dividing their respective market capitalisation on the Last Trading Day as extracted from Bloomberg by their respective latest equity attributable to the shareholders prior to the Last Trading Day (the “**Latest NAV**”). The Latest NAV of the respective Comparable Companies are extracted from their latest available 3rd quarter reports or interim reports prior to the Last Trading Day.

2. Being the market capitalisation of the Company on the Last trading Day.
3. Being the Implied P/E.
4. Being the Implied P/B.

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As shown above, the P/Es of the Comparable Companies ranged from approximately 4.58 times to approximately 24.12 times with an average and median of approximately 9.53 times and 8.04 times, respectively, on the Last Trading Day. The Implied P/E of approximately 41.54 times is higher than all the P/Es of the Comparable Companies.

On the other hand, the P/Bs of the Comparable Companies ranged from approximately 0.28 time to approximately 1.01 time with an average and median of approximately 0.61 time and 0.55 time, respectively, on the Last Trading Day. The Implied P/B of approximately 2.51 times is higher than all the P/Bs of the Comparable Companies.

We noted that the market capitalisation of China Merchants Port, Liaoning Port, Qingdao Port, COSCO Shipping Ports and Qinhuangdao Port on the Last Trading Day were much larger than that of the Group. However, we are of the view that these large companies are still comparable to the Group as (i) they are engaged in the same sector as the Group does, of which the P/Es and P/Bs shall provide valid reference to the prevailing valuation level in the industry; and (ii) the Implied P/E and Implied P/B are higher than all the P/Es and P/Bs of the Comparable Companies including these large companies, indicating that the Offer Price could provide a better valuation in terms of P/Es and P/Bs than those of the large companies in the same industry, which strengthened the reasonableness and fairness of the Offer Price.

Based on the above, we consider the Offer Price to be fair and reasonable so far as the Offer Shareholders are concerned.

### DISCUSSION AND ANALYSIS

We consider that the terms of the Share Offer, including the Offer Price of HK\$1.15 per Offer Share, are fair and reasonable so far as the Offer Shareholders are concerned after taking into account the above principal factors and reasons as a whole, in particular:

- (i) as the economy gradually recovered after the COVID-19 pandemic was contained in the second half of 2020, the Group's overall business volume increased for 2021 Interim. While the Group's revenue increased by approximately 26.0% and 62.8%, its operating profit decreased by approximately 19.1% and 25.4% for FY2020 and 2021 Interim, respectively, mainly attributable the decrease in gross profit resulting from the increase in proportion of revenue generated from the supply chain management and trading business with lower gross profit margin as well as the increase in general, administrative and other operating expenses due to the increase in the overall revenue. We expect that the financial performance of the Group will continue to pick up steadily as the economy gradually recovers from the COVID-19 pandemic. However, there is a risk that the economy and the financial performance of the Group may suffer again, if the COVID-19 pandemic situation deteriorated;

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- (ii) while the Group generated net cash from operating activities of approximately HK\$49.9 million, HK\$8.6 million and HK\$21.9 million for FY2019, FY2020 and 2021 Interim, respectively, it had net current liabilities of approximately HK\$207.3 million with a current ratio and net gearing ratio of approximately 0.5 time and 39.9% as at 30 June 2021, respectively, indicating that the Group was under liquidity strain;
- (iii) the rapid economic growth of Hubei after the effective control of the COVID-19 pandemic, the rapid growth of the port industry in Hubei Province and the favourable national policies will provide a favourable environment for the development of the port industry in Hubei Province in the long run. It is expected that through the integration of port resources under the Work Plan implemented by the government of Hubei Province, the Group will be able to achieve synergy with other ports operated by Hubei Port Group. We consider the competition in container tariff rates from the neighbouring ports in the past few years as mentioned in the 2021 Interim Report may be mitigated as a result of the integration of port resources under the Work Plan. However, it is difficult to quantify the potential synergy arising from the aforesaid integration at the current stage;
- (iv) the closing prices of the Shares were below the Offer Price at all times during the last two years from 2 January 2020 to the Last Trading Day. The premium of the Offer Price of HK\$1.15 per Offer Share over the closing prices of the Shares for various periods in the 360 consecutive trading days before announcement of the Share Offer are significant, in the range of approximately 6.5% to 49.4%;
- (v) the Offer Price represents a significant premium of approximately 150.0% over the unaudited net asset value per Share of approximately HK\$0.46 as at 30 June 2021;
- (vi) the P/E and P/B implied by the Share Offer are higher than all the P/Es and P/Bs of the Comparable Companies, respectively, on the Last Trading Day, indicating that the valuation of the Company as represented by the Offer Price is higher than all its peers; and
- (vii) given the relatively thin trading liquidity of the Shares in general, the Share Offer may represent an alternative exit for the Offer Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price.

### OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Share Offer to be fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Offer Shareholders to accept the Share Offer.

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However, in the event that the market price of the Shares exceeds the Offer Price during the Offer Period and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, the Offer Shareholders should consider not accepting the Share Offer and sell their Shares in the open market.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**

**Larry Choi**  
*Managing Director*

*Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.*



**1. PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER**

To accept any of the Share Offer, you should duly complete and sign the relevant accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Share Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must deliver the duly completed and signed Form of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer, by post or by hand, to the Registrar marked “China Infrastructure & Logistics Group Ltd. — Share Offer” on the envelope so as to reach the Registrar as soon as possible but in any event by no later than 4:00 p.m. (Hong Kong time) on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance and Transfer duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares tendered for acceptance to the Registrar; or
  - (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer to the Registrar; or

- (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of those Offer Shares, you should nevertheless duly complete and sign the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s), if any, duly signed by yourself and/or other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or CICC and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of any of your Offer Shares, the Form of Acceptance and Transfer should nevertheless be duly completed, signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Offer Shares, you should also write to the Registrar for a form of letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar. The Offeror has absolute discretion to decide whether any Offer Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on the Closing Date and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or any other document(s) of title is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's Hong Kong ad valorem stamp duty for transfer of Offer Shares arising in connection with acceptances of the Share Offer will be payable by the accepting Offer Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher. An amount equivalent to the aforesaid stamp duty will be deducted from the cash amount payable by the Offeror to such Offer Shareholder who accepts the Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Share Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance and Transfer and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares tendered for acceptance will be given.

- (i) The address of the Registrar, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (j) In making their decision, Offer Shareholders must rely on their own examination of the Group and the terms of the Share Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance and Transfer, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, CICC and Rainbow Capital or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

## **2. SETTLEMENT UNDER THE SHARE OFFER**

### **The Share Offer**

Provided that a duly completed and signed Form of Acceptance and Transfer and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code, a cheque from the Offeror for the amount due to each of the Offer Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) following the date of receipt of a duly completed and signed Form of Acceptance and Transfer together with all of the relevant document(s) by the Registrar to render such acceptance under the Share Offer valid.

Settlement of the consideration to which any Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Offer Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheque(s) will not be honoured and will be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

**3. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Share Offer is revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance and Transfer must be received by the Registrar, in accordance with the instructions printed thereon and in this Composite Document by no later than 4:00 p.m. (Hong Kong time) on the Closing Date.

If the Share Offer are revised or extended, the Offeror will issue an announcement in relation to such revision or extension of the Share Offer, which announcement will state the next Closing Date. There is no obligation on the Offeror to extend the Share Offer. If, in the course of the Share Offer, the Offeror revises the terms of the Share Offer, all of the Offer Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms. Any revised Share Offer must be kept open for at least fourteen (14) days following the date on which the revised Share Offer document is posted.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

**4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Shareholders, those Offer Shareholders who hold Offer Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer. Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares it has indicated in the Form of Share Offer Acceptance and Transfer is the aggregate number of Offer Shares for which such nominee has received authorisations from the beneficial owners to accept the Share Offer on their behalf.

**5. ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Share Offer. The Offeror must publish an announcement in accordance with the Listing Rules and the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Share Offer. The announcement will state the following:

- (a) the total number of Offer Shares for which acceptances of the Share Offer have been received;
- (b) the total number of Offer Shares held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period;
- (c) the total number of Offer Shares acquired or agreed to be acquired or cancelled during the Offer Period by the Offeror and/or parties acting in concert with it; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or parties acting in concert with it have borrowed or lent, save for any borrowed Offer Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital, and the percentages of voting rights, represented by these numbers of Offer Shares.

In computing the total number of Offer Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the conditions set out in this Appendix I, and which have been received by the Registrar (in respect of the Share Offer) by no later than 4:00 p.m. (Hong Kong time) on the Closing Date, being the latest time and date for acceptance of the Share Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Share Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

If the Offeror and/or its concert parties or their respective advisers make any statement during the Offer Period about the level of acceptances or the number or percentage of accepting Shareholders, the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.



**6. RIGHT OF WITHDRAWAL**

As the Share Offer is unconditional in all respects, acceptances of the Share Offer tendered by the Offer Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the paragraph below.

Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with the requirements set out in section headed “Announcements” in this Appendix I above, the Executive may require that the Offer Shareholders who have tendered acceptances to the relevant Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met. In such case, where the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance and Transfer to the relevant Offer Shareholders at their own risk.

**7. HONG KONG STAMP DUTY**

Seller’s ad valorem stamp duty at the rate of 0.13% of (i) the consideration in respect of the acceptances of the Share Offer or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) will be payable by the Offer Shareholders who accept the Share Offer insofar as their Offer Shares are registered on the Hong Kong branch share register of the Company. The relevant amount of stamp duty payable by the relevant Offer Shareholders will be deducted from the consideration payable to such Offer Shareholders under the Share Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting Offer Shareholders in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

**8. GENERAL**

- (a) All communications, notices, Form of Acceptance and Transfer, share certificate(s), transfer receipt(s), document(s) of title or entitlement in respect of the Share Offer and/or documentary evidence of authority (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or cheques to settle the consideration payable under the Share Offer if delivered by or sent to or from the Offer Shareholders or their designated agents by post, shall be posted at their own risk, and none of the Offeror, the Company, CICC or any of their respective directors, the Registrar or any other parties involved in the Share Offer and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Share Offer.



- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance and Transfer or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.
- (d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of any person will constitute the agreement of such person that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer.
- (e) Due execution of the Form of Acceptance and Transfer will constitute an authority to the Offeror, CICC or such person or persons as the Offeror may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares.
- (f) Acceptance of the Share Offer by any person will be deemed to constitute a representation and warranty by such person or persons to:
  - (i) the Offeror, the Company and CICC, that the Offer Shares sold by such person or persons to the Offeror are free from all Encumbrances and are sold together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the date of this Composite Document.
  - (ii) the Offeror, the Company and their respective advisers, including CICC, the financial adviser to the Offeror in respect of the Share Offer, that if such Shareholder accepting the Share Offer is a citizen, resident or national of a jurisdiction outside Hong Kong, he/she has observed and is permitted under all applicable laws and regulations to which such Overseas Shareholder is subject to receive and accept the Share Offer and any revision thereof, and that he/she has obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and all requirements for the payment due by the accepting Overseas Shareholders and that he/she has not taken or omitted to take any action which will or may result in the Offeror, the Company or their respective advisers, including CICC, the financial adviser to the Offeror, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Share Offer or his/her acceptance thereof, and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations.

- (g) Reference to any of the Share Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any extension and/or revision thereof.
- (h) In making their decisions with regard to the Share Offer, the Offer Shareholders should rely on their own examination of the Offeror, the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance and Transfer shall not be construed as any legal or business advice on the part of the Offeror, the Company and/or CICC. The Shareholders should consult their own professional advisers for professional advice.
- (i) The English texts of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.
- (j) The Share Offer is made in accordance with the Takeovers Code.

## 1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of financial information for each of the three financial years ended 31 December 2018, 2019 and 2020 (as extracted from the annual reports of the Company) and for the six months ended 30 June 2021 (as extracted from the 2021 interim report of the Company).

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
<b>Continuing operations</b>				
<b>Revenue</b>	262,505	352,021	443,550	122,512
Cost of services rendered and goods sold	(131,628)	(247,457)	(353,122)	(80,973)
<b>Gross profit</b>	130,877	104,564	90,428	41,539
Other income	32,894	18,104	26,239	1,532
Change in fair value of investment properties	41,718	31,732	44,740	27,695
General and administrative expenses	(50,712)	(51,473)	(57,711)	(23,038)
Other operating expenses	(27,532)	(28,214)	(32,188)	(15,278)
Finance costs — net	(21,880)	(19,554)	(35,039)	(14,050)
Loss on disposal of subsidiaries	—	—	—	(5,988)
Share of profit of an associate	755	233	333	74
<b>Profit before income tax</b>	106,120	55,392	36,802	12,486
Income tax expense	(26,903)	(17,900)	(14,390)	(6,858)
<b>Profit for the year/period from continuing operation</b>	79,217	37,492	22,412	5,628
<b>Discontinued operation</b>				
<b>Profit for the year/period from discontinued operation</b>	—	—	—	6,390
<b>Profit for the year/period</b>	79,217	37,492	22,412	12,018

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
<b>Other comprehensive income/(expense) for the year/period</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
Change in fair value arising from reclassification from owner occupied properties to investment properties	—	73,425	—	—
Deferred taxation arising from revaluation surplus upon reclassification from owner occupied properties to investment properties	—	(18,356)	—	—
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange gain/(loss) on translation of financial statements of foreign operations				
— continuing operations	(41,091)	(23,121)	57,567	15,621
— discontinued operation	—	—	—	890
Release of reserve upon disposal of subsidiaries	—	—	—	(4,089)
<b>Other comprehensive income/(expense) for the year/period</b>	<u>(41,091)</u>	<u>31,948</u>	<u>57,567</u>	<u>12,422</u>
<b>Total comprehensive income for the year/period</b>	<u>38,126</u>	<u>69,440</u>	<u>79,979</u>	<u>24,440</u>
<b>Profit/(Loss) for the year/period attributable to:</b>				
Owners of the Company				
— continuing operations	71,259	34,530	25,860	7,352
— discontinued operation	—	—	—	6,390
Non-controlling interests				
— continuing operations	<u>7,958</u>	<u>2,962</u>	<u>(3,448)</u>	<u>(1,724)</u>
	<u>79,217</u>	<u>37,492</u>	<u>22,412</u>	<u>12,018</u>

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
<b>Total comprehensive income attributable to:</b>				
Owners of the Company				
— continuing operations	37,156	61,966	74,454	16,321
— discontinued operation	—	—	—	7,280
Non-controlling interests				
— continuing operations	970	7,474	5,525	839
	<u>38,126</u>	<u>69,440</u>	<u>79,979</u>	<u>24,440</u>
<b>Basic and diluted earnings per share attributable to owners of the Company (HK cents)</b>				
— continuing operations	4.13	2.00	1.50	0.43
— discontinued operation	—	—	—	0.37
	<u>4.13</u>	<u>2.00</u>	<u>1.50</u>	<u>0.80</u>

No dividend was paid or proposed by the Company during each of the three (3) years ended 31 December 2018, 2019 and 2020 and the six (6) months ended 30 June 2021.

The consolidated financial statements of the Group for each of the year ended 31 December 2018, 2019 and 2020 were audited by Grant Thornton Hong Kong Limited and did not contain any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern. Save as disclosed above, there were no items of any income or expense which are material in respect of the consolidated financial results of the Company for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the six months ended 30 June 2021.

## 2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Information**”) has been set out on pages 29 to 68 of the interim report of the Company for the six months ended 30 June 2021 which was posted on 9 September 2021 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the 2021 interim report of the Company

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0909/2021090900333.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) has been set out on pages 78 to 164 of the annual report of the Company for the year ended 31 December 2020 which was posted on 21 April 2021 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended 31 December 2020

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100884.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”) has been set out on pages 76 to 162 of the annual report of the Company for the year ended 31 December 2019 which was posted on 12 May 2020 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended 31 December 2019

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200517.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) has been set out on pages 76 to 160 of the annual report of the Company for the year ended 31 December 2018 which was posted on 19 April 2019 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended 31 December 2018

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn201904171204.pdf>

The 2021 Interim Financial Information, the 2020 Financial Statements, the 2019 Financial Statements and the 2018 Financial Statements (but not any other part of the interim report of the Company for the six months ended 30 June 2021 and the annual reports of the Company for the years ended 31 December 2020, 2019 and 2018 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

### 3. INDEBTEDNESS

As at the close of business on 31 December 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of the Composite Document, the indebtedness of the Group are as follows:

#### Bank and other borrowings

As at 31 December 2021, the Group had bank and other borrowings amounting to HK\$421,513,180, details of which are as follows:

	<i>HK\$</i>
Bank borrowings	
— Unsecured and guaranteed ( <i>Note 2</i> )	35,670,000
— Secured ( <i>Note 1</i> ) and unguaranteed	41,820,000
— Secured ( <i>Note 1</i> ) and guaranteed ( <i>Note 2</i> )	<u>151,167,000</u>
Other borrowings	
— Unsecured and unguaranteed	71,620,000
— Secured and guaranteed ( <i>Note 3</i> )	<u>121,236,180</u>
Total	<u><u>421,513,180</u></u>

*Note 1:*

The secured bank borrowings were secured by the equity interest of certain subsidiaries of the Group and the assets of the Group including investment properties, property, plant and equipment (port facilities and terminal equipment) and land use rights.

*Note 2:*

The guaranteed bank loans were guaranteed by the Company and certain subsidiaries of the Group.

*Note 3:*

The secured and guaranteed other borrowings were secured by the Group's port facilities, investment properties, restricted deposit and equity interests of certain subsidiaries of the Group and guaranteed by the Company, the Second Vendor or certain subsidiaries of the Group.



**Lease liabilities**

As at 31 December 2021, the Group had outstanding lease liabilities amounting to HK\$678,998 in respect of the Group's right-of-use assets.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities at the close of business on 31 December 2021.

**4. MATERIAL CHANGE**

The Directors confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

- (i) as disclosed in the announcement of the Company dated 1 March 2021, CIG Wuhan Multipurpose Port Limited\* (武漢中基通用港口發展有限公司), a wholly-owned subsidiary of the Company, entered into an agreement with Shayang Xingang Investment Development Centre\* (沙洋新港區投資發展中心) to dispose of 60% equity interests in Shayang County Guoli Transportation Investment Co., Limited\* (沙洋縣國利交通投資有限公司) ("**Shayang Guoli**") at a consideration of approximately RMB47.1 million (equivalent to approximately HK\$56.5 million). Shayang Guoli is principally engaged in the investment, construction, development, management and operation of port and logistics infrastructure. Such disposal was completed in March 2021, resulting in a loss on disposal of approximately HK\$6.58 million;
- (ii) as disclosed in the announcement of the Company dated 21 May 2021, Tongshang Enterprise Investment Group Company Limited\* (通商實業投資集團有限公司), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Wuhan Hongcheng Shidai Construction Company Limited\* (武漢宏城時代建設有限公司) to dispose of 100% equity interests in Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.\* (中基通商市政工程(武漢)有限公司) ("**Zhongji Tongshang Construction**") at a total consideration of approximately RMB46.8 million (equivalent to approximately HK\$56.2 million). Zhongji Tongshang Construction is principally engaged in undertaking construction projects. Such disposal was completed in June 2021, resulting in a gain on disposal of approximately HK\$7.32 million. The Group discontinued its operation in the provision of construction services;

- (iii) According to 湖北省港口資源整合工作方案 (Integration Work Plan for Port Resources of Hubei Province) (the “**Work Plan**”) published by the government of Hubei Province in June 2021, the government of Hubei Province, through Hubei Port Group, the holding company of the Offeror, is integrating port resources through asset integration and business reorganisation. Such integration aims to build a leading port brand in Hubei, exert agglomeration effect and promote the development of the shipping center in the middle reaches of the Yangtze River and even the Yangtze River Economic Belt. It is expected that through the integration of port resources under the Work Plan implemented by the government of Hubei Province, the Group may be able to achieve synergy with other ports operated by Hubei Port Group. Although the competition in container tariff rates from the neighbouring ports in the past few years as mentioned in the 2021 Interim Report may be mitigated as a result of the integration of port resources under the Work Plan, it is difficult to quantify the potential synergy arising from the aforesaid integration at the current stage as there was no concrete plan for such integration as at the Latest Practicable Date;
- (iv) as disclosed in the interim report of the Company (the “**2021 Interim Report**”) for the six months ended 30 June 2021 (“**2021H1**”), profit attributable to the Shareholders for 2021H1 amounted to approximately HK\$13.7 million as compared to loss attributable to the Shareholders of approximately HK\$8.2 million for the corresponding period in 2020 (“**2020H1**”), primarily due to the net effect of the following:
- (a) the increase in revenue from continuing operations by approximately 62.8% from approximately HK\$75.2 million for 2020H1 to approximately HK\$122.5 million for 2021H1 was mainly driven by the increase in overall business volume due to the economic recovery after the COVID-19 pandemic was contained in the second half of 2020. Such increase was primarily attributable to (1) the significant increase in revenue of approximately HK\$33.1 million from the supply chain management and trading business as most of which was contributed by the cement trading business which commenced in the second half of 2020; (2) the increase in revenue of approximately HK\$7.6 million from integrated logistics service due to the increase in business volume from the Hannan Port; (3) the increase in revenue of approximately HK\$1.5 million from the terminal service business mainly due to the increase in container throughput which was partially offset by the lowering of overall tariff rates to align with those charged by neighbouring ports, from which the Group has been facing continuing price cutting competitions in the past few years; and (4) the increase in revenue of approximately HK\$6.2 million from general and bulk cargo handling service conducted through the Hannan Port and the Shipai Port;

- (b) operating profit from continuing operations decreased by approximately 25.4% from approximately HK\$27.7 million for 2020H1 to approximately HK\$20.6 million for 2021H1 as a result of (1) the drop in gross profit of approximately HK\$0.7 million, mainly due to the higher proportion of income generated from supply chain management and trading business which generated significantly lower gross profit margin as compared to that of terminal service; (2) the decrease in other income of approximately HK\$2.7 million mainly due to the decrease in income of approximately HK\$2.0 million received from a tenant of the Hannan Port following the Group's winning of a lawsuit on rental dispute with a lessee in 2020H1, which was not replicated in 2021H1; and (3) the increase in general, administrative and other operating expenses (excluding depreciation and amortisation) of approximately HK\$3.6 million due to the resumption of work of the staff after the COVID-19 pandemic was contained;
- (c) profit attributable to the Shareholders from continuing operations for 2021H1 was approximately HK\$7.4 million, as compared to loss attributable to the Shareholders from continuing operations of approximately HK\$6.8 million for 2020H1. Such turnaround was mainly attributable to the fair value gain of investment properties of approximately HK\$27.7 million for 2021H1 due to the recovery of office and warehouse property markets in Wuhan as compared to the fair value loss of investment properties of approximately HK\$10.8 million for 2020H1, which was partially offset by (1) the decrease in operating profit of approximately HK\$7.0 million as mentioned above; (2) the increase in finance costs – net of approximately HK\$4.4 million due to the absence of capitalisation of interest expenses for 2021H1 (for 2020H1: approximately HK\$7.6 million of interests were capitalised based on the unaudited consolidated management accounts of the Group). All the capitalised interests for 2020H1 were subsequently adjusted and recognised as finance costs in the audited consolidated financial statements of the Group for the year ended 31 December 2020, as development was held back by COVID-19; (3) the loss on disposal of subsidiaries of approximately HK\$6.0 million for 2021H1 (for 2020H1: no gain or loss on disposal of subsidiaries); and (4) the increase in income tax expense of approximately HK\$5.9 million for 2021H1; and
- (d) profit attributable to the Shareholders from discontinued operation (i.e. provision of construction services) amounted to approximately HK\$6.4 million for 2021H1 as compared to loss attributable to the Shareholders from discontinued operation of approximately HK\$1.4 million for 2020H1;
- (v) as disclosed in the 2021 Interim Report, the Group had net current liabilities of approximately HK\$207.3 million with a current ratio of approximately 0.5 time and a net gearing ratio of approximately 39.9% as at 30 June 2021. As stated in the 2021 Interim Report, the Directors consider that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and meet its financial obligations as and when they fall due for at least the next twelve months from 30 June 2021 given the Group's current and forecasted cash positions and the continued financial support provided by the then controlling Shareholder, Mr. Yan Zhi;

- (vi) as disclosed in the 2021 Interim Report, the Group generated net cash from operating activities of approximately HK\$21.9 million for 2021H1, as compared to net cash used in operating activities of approximately HK\$20.1 million for 2020H1;
- (vii) total throughput achieved by the Group was 720,021 TEUs for the year ended 31 December 2021, representing an increase of approximately 12.1% as compared to the previous year, among which the gateway cargoes throughput decreased by approximately 10.1% to 285,048 TEUs and the trans-shipment cargoes throughput increased by approximately 33.7% to 434,973 TEUs for the year ended 31 December 2021 as compared to the previous year;
- (viii) the financial performance of the Group for the year ended 31 December 2021 would be affected by, among other things, (a) the continued competition in container tariff rates from the neighbouring ports; (b) the decrease in revenue generated from the supply chain management and trading business due to the termination of the non-ferrous metals trading business during the year; (c) the gain on disposal of Zhongji Tongshang Construction of approximately HK\$7.32 million; (d) the change in fair value of investment properties; (e) the expected credit losses allowance on trade and bill receivables and government subsidy receivables; and (f) government subsidies income; and
- (ix) as advised by the management of the Group, it is expected that Hubei Port Group Company Limited (湖北省港口集團有限公司), being the sole shareholder of the Offeror, will provide financial support to the Group for the next twelve months from 31 December 2021.

**1. RESPONSIBILITY STATEMENT**

The Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than any information relating to the Offeror and its concert parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

**2. SHARE CAPITAL OF THE COMPANY****(a) Authorised Share Capital**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 ordinary shares with par value of HK\$0.1 each.

**(b) Issued Shares**

As at the Latest Practicable Date, the total number of issued shares of the Company were as follows:

***Issued and fully paid-up Shares***

1,725,066,689 Shares

All the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital and dividends and voting.

As at the Latest Practicable Date, no new Shares had been issued by the Company since 31 December 2020 (being the date to which its latest published audited financial statements were prepared).

As at the Latest Practicable Date, there were no outstanding warrants or options or other securities carrying rights of conversion into or exchange or subscription for the Shares or derivatives issued by the Company.

**(c) Listing**

The Shares are listed and traded on the main board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

**3. MARKET PRICES**

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the last trading day immediately preceding the date of the Joint Announcement; and (iii) at the end of each calendar month during the Relevant Period:

<b>Date</b>	<b>Closing price per Share HK\$</b>
30 June 2021	0.790
30 July 2021	0.750
31 August 2021	0.750
30 September 2021	0.740
29 October 2021	0.740
30 November 2021	0.890
29 December 2021 (the Last Trading Day)	1.080
31 December 2021	1.080
31 January 2022	1.150
28 February 2022	1.150
2 March 2022 (the Latest Practicable Date)	1.150

- (b) During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$1.150 per Share on 26 January 2022, 27 January 2022, 28 January 2022, 31 January 2022, 7 February 2022, 9 February 2022, 14 February 2022, 15 February 2022, 17 February 2022, 18 February 2022, 21 February 2022, 22 February 2022, 25 February 2022, 28 February 2022, 1 March 2022 and 2 March 2022, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$0.700 per Share on 6 August 2021.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Directors

As at the Latest Practicable Date, none of the Directors and their respective associates nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register 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 were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in the Composite Document pursuant to the Takeovers Code.

##### (b) Substantial shareholders

As at the Latest Practicable Date, substantial shareholders (not being the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity and nature of interest	Notes	Total number	Approximate percentage the total issued share capital of the Company (%)
The Offeror	Beneficial owner	<i>I</i>	1,290,451,130	74.81
Hubei Port Group	Interest of controlled corporation	<i>I</i>	1,290,451,130	74.81
State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government* (武漢市人民政府國有資產監督管理委員會)	Interest of controlled corporation	<i>I</i>	1,290,451,130	74.81



*Note:*

1. These Shares were registered in the name of and beneficially owned by the Offeror. The Offeror is wholly-owned by Hubei Port Group, which in turn is owned as to approximately 82.86% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government\* (武漢市人民政府國有資產監督管理委員會). Therefore Hubei Port Group and Wuhan Municipal People's Government\* (武漢市人民政府國有資產監督管理委員會) are deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

**(c) Interest in the Offeror**

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares of the Offeror or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

**(d) Additional disclosure of interests in the Company and arrangement in connection with the Share Offer**

As at the Latest Practicable Date,

- (i) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (ii) the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Share Offer;

- (iii) none of the subsidiaries of the Company, pension funds of the Company or any of its subsidiaries or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares;
- (iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (v) no Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company; and
- (vi) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares.

## **5. DEALINGS IN SHARES**

During the Relevant Period,

- (a) save for the Sale and Purchase Agreement entered into, among others, the Vendors and the Purchaser, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares.
- (b) none of the subsidiaries of the Company, pension funds of the Company or any of its subsidiaries or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

- (c) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate, and hence no such person had dealt for value in the Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (d) no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

## **6. DEALINGS IN SHARES OF THE OFFEROR**

During the Relevant Period, neither the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror.

## **7. ARRANGEMENTS AFFECTING DIRECTORS**

- (a) As at the Latest Practicable Date, no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Share Offer.
- (b) As at the Latest Practicable Date, save for the appointment of new directors as disclosed in the section headed “Proposed change to the Board composition” as stated in the Letter from CICC in the Composite Document, there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of the Share Offer or is otherwise connected with the Share Offer.
- (c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement in which Mr. Yan Zhi is interested, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

**8. SERVICE CONTRACTS**

As at the Latest Practicable Date, the Company had entered into the following service agreements and letters of appointment with the Directors:

<b>Name</b>	<b>Position</b>	<b>Term</b>	<b>Amount of Remuneration</b>	<b>Variable Remuneration</b>
Peng Chi	Executive Director	a term of 36 months commencing from 10 September 2019	RMB1,000,000 per annum	—
Xie Bingmu	Executive Director	a term of 36 months commencing from 7 March 2020	RMB300,000 per annum	—
	Chief Executive Officer	a term of 36 months commencing from 1 January 2021	HK\$240,000 per annum	—
Zhang Jiwei	Executive Director	a term of 36 months commencing from 27 October 2019	RMB300,000 per annum	—
Yan Zhi	Non-executive Director	a term of 36 months commencing from 20 November 2020	RMB300,000 per annum	—
Xia Yu	Non-executive Director	a term of 36 months commencing from 31 December 2019	RMB300,000 per annum	—
Lee Kang Bor, Thomas	Independent Non-executive Director	a term of 3 years commencing from 25 May 2021	RMB300,000 per annum	—
Mao Zhenhua	Independent Non-executive Director	a term of 3 years commencing from 25 May 2021	RMB300,000 per annum	—
Wong Wai Keung, Frederick	Independent Non-executive Director	a term of 3 years commencing from 25 May 2021	RMB300,000 per annum	—

As at the Latest Practicable Date, Xie Bingmu had entered into a service contract with China Infrastructure & Logistics Group Holdings Limited, a wholly-owned subsidiary of the Company, as a director with a term of 36 months commencing from 7 March 2020. The remuneration under the service contract is RMB480,000 per annum. There is no variable remuneration payable under the service contract.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which: (i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

## 9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

## 10. MATERIAL CONTRACTS

Save as disclosed below, no contract (being the contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) has been entered into by the Company or any of its subsidiaries within the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which are material:

- (a) On 1 March 2021, CIG Wuhan Multipurpose Port Limited\* (武漢中基通用港口發展有限公司), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with 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 in relation to the disposal of 60% equity interests of Shayang County Guoli Transportation Investment Co., Limited\* (沙洋縣國利交通投資有限公司) at a total consideration of approximately RMB47.1 million (equivalent to approximately HK\$56.5 million).
- (b) On 21 May 2021, Tongshang Enterprise Investment Group Company Limited\* (通商實業投資集團有限公司), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Wuhan Hongcheng Shidai Construction Company Limited\* (武漢宏城時代建設有限公司), a company established in the PRC with limited liability, in relation to the disposal of 100% equity interests of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.\* (中基通商市政工程(武漢)有限公司) at a total consideration of approximately RMB46.8 million (equivalent to approximately HK\$56.2 million).

**11. EXPERT**

The following is the name and qualifications of the expert who has given opinion or advice which is contained in the Composite Document:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital (HK) Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

**12. CONSENT**

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion of the text of its letter and references to its name and logo in the form and context in which they are respectively included.

**13. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.cilgl.com/chi/cindex.html>; and (iii) (during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, from the date of the Composite Document up to the Closing Date:

- (a) amended and restated memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the years ended 31 December 2019 and 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021;
- (c) the letter from the Board, the text of which is set out on pages 20 to 25 of the Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of the Composite Document;

- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 54 of the Composite Document;
- (f) the service contracts referred to in paragraph 8 of this Appendix III;
- (g) the written consent referred to in paragraph 12 of this Appendix III; and
- (h) the material contracts referred to in paragraph 10 of this Appendix III.



**1. RESPONSIBILITY STATEMENT**

The sole director of the Offeror and each of the directors of Hubei Port Group jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. DISCLOSURES OF INTERESTS IN THE COMPANY'S SECURITIES**

As at the Latest Practicable Date, the Offeror held 1,290,451,130 Shares, representing approximately 74.81% of the total issued share capital of the Company. The Offeror is an investment holding company incorporated in Hong Kong with limited liability on 3 December 2021, the shares of which are owned as to 100% by Hubei Port Group, which in turn are owned as to approximately 82.8571% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government\* (武漢市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Xianning Municipal People's Government\* (咸寧市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Ezhou Municipal People's Government\* (鄂州市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huanggang Municipal People's Government\* (黃岡市人民政府國有資產監督管理委員會) and approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government\* (黃石市人民政府國有資產監督管理委員會). Hubei Port Group is a company principally engaged in the investment in and construction of infrastructures and the operation of ports, as well as the provision of other services including integrated logistics and supply chain management.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its respective ultimate beneficial owners, its sole director (being Ms. Zhou Wei) and the parties acting in concert with any of them owned or controlled any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**3. DEALINGS IN THE COMPANY'S SECURITIES**

As at the Latest Practicable Date, the Company has not issued any share options under the Share Option Scheme, and does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares.

The Offeror confirms that, as at the Latest Practicable Date, the Offeror and/or its concert parties hold 1,290,451,130 Shares in aggregate, representing approximately 74.81% of the total issued share capital of the Company. Please see the section headed “The Share Offer” in the “Letter from CICC”. Save as aforesaid, as at the Latest Practicable Date, the Offeror, the sole director of the Offeror, and/or its concert parties do not hold, control or have direction over any Shares or hold any convertible securities, warrants, options or derivatives in respect of the Company.

Save for the Sale Shares, the Offeror, the sole director of the Offeror, and/or parties acting in concert with it have not dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares during the Relevant Period.

#### **4. ARRANGEMENTS IN CONNECTION WITH THE SHARE OFFER**

As at the Latest Practicable Date,

- (a) save for the sale and purchase of the Sale Shares under the Share Purchase Agreement, none of the Offeror, its director, nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Share Offer;
- (c) save for the Memorandum of Understanding and the Sale and Purchase Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror and/or its concert parties and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the outcome of the Share Offer;
- (d) save for the Facility and the security arrangements in connection thereto, including the Share Charge and the Letter of Undertakings, none of the person with whom the Offeror or any person acting in concert with the Offeror or associate(s) of the Offeror has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (e) save for the Facility and the security arrangements in connection thereto, including the Share Charge and the Letter of Undertakings, no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror had been entered into between the Offeror and/or any parties acting in concert with it and/or associates of the Offeror on the one hand and any other person on the other;

- (f) no person who owned or controlled Shares, options or convertible securities, warrants, options or derivatives in respect of Shares had irrevocably committed themselves to accept or reject the Share Offer;
- (g) there were no Shares, options or convertible securities, warrants, options or derivatives in respect of Shares which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had borrowed or lent;
- (h) since the Share Offer are unconditional in all respects, there was no agreement or arrangement to which the Offeror and/or parties acting in concert with it was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Share Offer;
- (i) save for the Facility and the security arrangements in connection thereto, including the Share Charge and the Letter of Undertakings, no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between a person on one hand and the Offeror and/or its concert parties or any other associate of them on the other hand during the Relevant Period;
- (j) save for the Sale and Purchase Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and/or parties acting in concert with it on one hand and Vendors and parties acting in concert with the Vendors on the other hand;
- (k) save for the Sale and Purchase Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it, or (ii)(b) the Company, its subsidiaries or associated companies.
- (l) save for the Facility and the security arrangements in connection thereto, including the Share Charge and the Letter of Undertakings, the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Share Offer to any other persons and had no agreement, arrangement or understanding with any third party to do so; and
- (m) save for the Consideration paid by the Offeror and parties acting in concert with it to the Vendors, there is no other consideration, compensation, or benefit in whatever form that has been or will be paid by the Offeror and/or parties acting in concert with it to the Vendors and parties acting in concert with them in connection to the sale and purchase of Sale Shares.

- (n) save for the Sale and Purchase Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or any of its concert parties, on the one hand, and any Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, on the other hand, having any connection with or dependence upon or is otherwise connected with the Share Offer.

## **5. MISCELLANEOUS**

- (a) The Offeror is a company incorporated in Hong Kong with limited liability. The registered office of the Offeror is at Suite 603, 6th Floor, The Chinese Bank Building, Nos. 61-65 Des Voeux Road Central, Hong Kong.
- (b) The Offeror board comprises one director, namely Zhou Wei.
- (c) The board of directors of Hubel Port Group comprises nine directors, namely Tu Shanfeng, Chen Bofu, Wang Dasheng, Yang Yeyuan, Xiao Xiaoqiu, Jiang Hui, Hu Shengxin, Fu Weifa and Xia Hongliang.
- (d) The registered office of Hubei Port Group is situated at 9 Pingjiang West Road, Yangluo Economic Development Zone, Xinzhou District, Wuhan City, the PRC.
- (e) The registered office of CICC is situated at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over their respective Chinese texts, in case of inconsistency.

## **6. CONSENT AND QUALIFICATIONS OF PROFESSIONAL ADVISER**

The following is the qualifications of the expert who has given its opinion or advice which is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
China International Capital Corporation Hong Kong Securities Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contract) and Type 6 (advising on corporate finance) regulated activities under the SFO

CICC has given and has not withdrawn its written consent to the issue of this Composite Document with a copy of its letter and the references to its name included herein in the form and context in which it appears.

**7. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (a) on the website of the SFC (<http://sfc.hk>); (b) on the website of the Company (<http://www.cilgl.com/chi/cindex.html>) and (c) (during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Offeror;
- (b) the Letter from CICC, the text of which is set out on pages 7 to 19 of this Composite Document;
- (c) the written consent as referred to in the section headed “Consent and Qualifications of Professional Adviser” in this appendix IV;
- (d) the Facility Agreement;
- (e) the Letter of Undertakings;
- (f) the Share Charge; and
- (g) this Composite Document and the accompanying Form of Acceptance and Transfer.