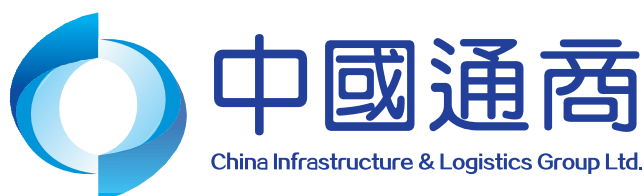

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Infrastructure & Logistics Group Ltd., you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

Capitalised terms used in this cover page shall have the same meanings as defined in this circular unless otherwise specified.

A notice convening the EGM of the Company to be held at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, China on Wednesday, 28 June 2023 at 09:30 a.m. is set out on pages 44 to 46 of this circular. A form of proxy for use at the EGM is also enclosed in this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cilgl.com). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

9 June 2023

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DEFINITIONS

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

“2023 CIL Comprehensive Port Logistics Services Framework Agreement”	the comprehensive port logistics services framework agreement dated 25 April 2023 entered into between the Company and Hubei Port in relation to the provision of the Comprehensive Port Logistics Services by the Group to the Hubei Port Group
“2023 Comprehensive Port Logistics Services Framework Agreements”	the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, collectively
“2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement”	the comprehensive port logistics services framework agreement dated 25 April 2023 entered into between the Company and Hubei Port in relation to the provision of the Comprehensive Port Logistics Services by Hubei Port to the Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CIL Comprehensive Port Logistics Services Framework Agreement”	the comprehensive port logistics services framework agreement dated 29 September 2022 entered into between the Company and Hubei Port in relation to the provision of the Comprehensive Port Logistics Services by the Group to the Hubei Port Group
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China Infrastructure & Logistics Group Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1719)
“Comprehensive Port Logistics Services”	port logistics integrated services, including but not limited to port loading and unloading, stockpiling, storage, drayage, transportation, leasing, container management, agency, power and other services
“Comprehensive Port Logistics Services Framework Agreements”	the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement, collectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, China on Wednesday, 28 June 2023 at 09:30 a.m. for the purpose of considering and, if thought fit, approving the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions)
“Group”	the Company and its subsidiaries
“Hannan Port”	the Hannan Port is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and is within 80 kilometers of the Beijing-Guangzhou and Beijing-Kowloon rail link
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hubei Port”	Hubei Port Group Company Limited* (湖北港口集團有限公司), a company incorporated in the PRC with limited liability and is the holding company of Hubei Port (Hong Kong) as at the date of this circular
“Hubei Port Group”	Hubei Port and its subsidiaries but excluding the Group
“Hubei Port (Hong Kong)”	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 and is the controlling shareholder of the Company as at the date of this circular
“Hubei Port Comprehensive Port Logistics Services Framework Agreement”	the comprehensive port logistics services framework agreement dated 29 September 2022 entered into between the Company and Hubei Port in relation to the provision of the Comprehensive Port Logistics Services by Hubei Port to the Group
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua, formed to advise the Independent Shareholders in relation to the 2023 Comprehensive Port Logistics Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps for those transactions for the three years ending 31 December 2025

DEFINITIONS

“Independent Financial Adviser”	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, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions for the three years ending 31 December 2025)
“Independent Shareholders”	the Shareholders other than the Hubei Port Group and other shareholders with a material interest in the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements
“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with the Company or its connected person
“Latest Practicable Date”	5 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

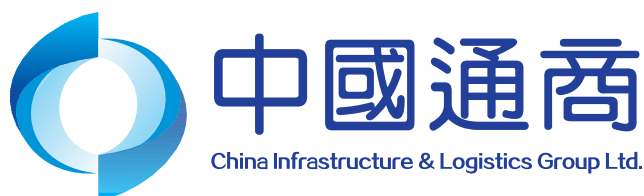
DEFINITIONS

“Specific Agreement(s)”	the specific individual agreement(s) that may be entered into between members of the Group and the Hubei Port Group in accordance with the principles and terms of the 2023 Comprehensive Port Logistics Services Framework Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“WIT Port”	the WIT Port is located along the Yangtze River in the Yangluo Economic Development Zone, Wuhan, Hubei Province, the PRC
“%”	per cent.

Note: For the purpose of illustration only and unless otherwise stated, conversion of RMB to HK\$ in this circular is calculated at the exchange rate of RMB1.00 to HK\$1.14. Such conversion rate should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

** For identification purpose only*

LETTER FROM THE BOARD



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. Li Xiaoming (*Chairman*)
Mr. Qiao Yun
Ms. Zhou Wei

Registered office:

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

Non-executive Director:

Mr. Xu Aoling

Principal place of business in Hong Kong:

Unit A, 7/F.,
On Hing Building,
No. 1 On Hing Terrace,
Central, Hong Kong

Independent Non-executive Directors:

Mr. Chau Kwok Keung
Mr. Fu Xinping
Dr. Mao Zhenhua

9 June 2023

To the Shareholders

Dear Sir or Madam

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 April 2023. On 25 April 2023 (after trading hours), the Company entered into the 2023 Comprehensive Port Logistics Services Framework Agreements.

At the EGM, resolutions will be proposed for the Independent Shareholders to approve, (i) the 2023 CIL Comprehensive Port Logistics Services Framework Agreement; and (ii) the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, their respective annual caps and transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with (i) further information on the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions); (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) a notice convening the EGM.

CONTINUING CONNECTED TRANSACTIONS AND THEIR RESPECTIVE ANNUAL CAPS

A. 2023 CIL COMPREHENSIVE PORT LOGISTICS SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 29 September 2022 in relation to the CIL Comprehensive Port Logistics Services Framework Agreement, pursuant to which the Company agreed that the Group will provide Comprehensive Port Logistics Services with a greater focus on port loading and unloading to the Hubei Port Group at Phase I of Yangluo Port area within the WIT Port (武漢陽邏港) from time to time, for a term commencing on 29 September 2022 and ending on 31 December 2022 (both days inclusive).

As the CIL Comprehensive Port Logistics Services Framework Agreement has expired on 31 December 2022, and the Group has continued to provide Comprehensive Port Logistics Services to the Hubei Port Group as at the Latest Practicable Date, the Company entered into the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, with Hubei Port to renew the CIL Comprehensive Port Logistics Services Framework Agreement for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Details of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement are set out below.

Date: 25 April 2023

Parties: (i) The Company; and
(ii) Hubei Port.

Nature of transaction: Pursuant to the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, the parties agreed that the Group will provide Comprehensive Port Logistics Services with a greater focus on port loading and unloading, among other services, to the Hubei Port Group at Phase I of Yangluo Port area within the WIT Port (武漢陽邏港), and leasing and power services within the Hannan Port (漢南港) to the Hubei Port Group. The 2023 CIL Comprehensive Port Logistics Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions contemplated thereunder.

LETTER FROM THE BOARD

- Specific Agreements:** It is envisaged that from time to time and as required, individual transaction agreements will be required to be entered into between the Group and the Hubei Port Group. Each Specific Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2023 CIL Comprehensive Port Logistics Services Framework Agreement.
- Term:** The 2023 CIL Comprehensive Port Logistics Services Framework Agreement has a fixed term commencing from 1 January 2023 to 31 December 2025 (both days inclusive). In the event that the transaction amount pursuant to the 2023 CIL Comprehensive Port Logistics Services has incurred to an extent that Independent Shareholders' approval is required pursuant to Chapter 14A of the Listing Rules, further transactions could only be proceeded with upon obtaining such Independent Shareholders' approval.
- Payment:** Payment for the Comprehensive Port Logistics Services will be settled by bank transfer at credit terms to be agreed by the parties in accordance with market practice.

PRICING POLICY AND OTHER TERMS

Under the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment) issued by the Ministry of Transport and National Development and Reform Commission of the PRC, port charges are subject to statutory caps and shall be determined with reference to market demand, production and operational costs incurred and the scope of services provided.

As a general principle, the service fees payable under each of the 2023 Comprehensive Port Logistics Services Framework Agreements for the respective provisions of the Comprehensive Port Logistics Services shall be determined pursuant to good faith negotiations between the parties, with reference (but not limited) to the prevailing market price of similar services, pricing standards of previous transactions, the operational costs (including labor and administrative costs) to be borne by the Group or the Hubei Port Group (as the case may be) for the provision of the Comprehensive Port Logistics Services and pricing standards set by relevant government authorities. In particular, the Group and Hubei Port Group shall adhere to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

LETTER FROM THE BOARD

Annual Caps and Basis of Determination – 2023 CIL Comprehensive Port Logistics Services Framework Agreement

The proposed maximum service fees payable by the Hubei Port Group to the Group under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement for the three years ending 31 December 2025 are expected not to exceed RMB15.52 million (approximately HK\$17.69 million), RMB18.31 million (approximately HK\$20.87 million) and RMB20.38 million (approximately HK\$23.23 million) respectively, and shall be determined after arm's length negotiations with reference to the prevailing market price, the service fees charged by Independent Third Party service providers in the provision of similar Comprehensive Port Logistics Services and with reference to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment), to ensure that the terms offered to the Hubei Port Group shall not be more favorable than those offered by the Group to Independent Third Parties.

Historical transaction amount

During the year ended 31 December 2022, the actual amount of service fees payable by the Hubei Port Group to the Group under the CIL Comprehensive Port Logistics Services Framework Agreement was approximately RMB3.43 million (approximately HK\$3.98 million), which was within the annual cap of RMB6.5 million (approximately HK\$7.38 million). For the period from 1 January 2023 to 25 April 2023, the actual amount of service fees payable by the Hubei Port Group to the Group for the Comprehensive Port Logistics Services was approximately RMB2.63 million (approximately HK\$2.998 million) (unaudited). As one or more of the applicable percentage ratios in respect of such transactions are more than 0.1% but less than 5%, and the total consideration is less than HK\$3 million, such transactions fall within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and are yet to be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will monitor the relevant transaction amount to ensure that the highest applicable percentage ratio will not exceed 5% before obtaining the approval of the Independent Shareholders' at the EGM.

Prior to the entering of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, the Company initially assessed that, based on the demand of the Comprehensive Port Logistics Services, the transactions amount for the Comprehensive Port Logistics Services for the year ending 31 December 2023 would be fully exempt under the de minimis exemption under Rule 14A.76(1)(c) of the Listing Rules. As such, a framework agreement would not be required if these transactions are fully exempt under the Listing Rules. In or around March 2023, it came to the attention of the Company that due to an increase in the demand for the Comprehensive Port Logistics Services, the applicable percentage ratios in respect of such transactions for the year ending 31 December 2023 may exceed the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules. Thereafter, the Company took some time to negotiate the terms of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and is now seeking Shareholders' approval on the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and the transactions contemplated thereunder (including the annual caps for the three years ending 31 December 2025).

LETTER FROM THE BOARD

The reasons for the difference in the service fees payable under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement are mainly due to that 1) the business volume will be different to meet the demands for the Comprehensive Port Logistics Services required at each port, with anticipation that the demands for such services to be provided by the Hubei Port Group will be higher at the WIT Port (武漢陽邏港) and the Hannan Port (漢南港); and 2) the service fees payable by the Group to the Hubei Port Group is estimated to be higher than the estimated service fees to be received by the Group, mainly based on the higher volume of the container management services within the WIT Port (武漢陽邏港) and the agency services within the Hannan Port (漢南港) with reference to the pricing standards as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

The Group also adopts the following pricing policy:

- (i) each Specific Agreement will be negotiated on an arm's length basis to ensure that the relevant pricing terms are fair and reasonable and on normal commercial terms; and
- (ii) the relevant member of the Group shall (i) conduct market research on (if available) at least three other Independent Third Parties in the neighbouring ports where the Comprehensive Port Logistics Services are rendered and make reference to the prevailing fees charged by such Independent Third Parties for providing similar services in the same industry; (ii) obtain any standard fees designated by the relevant regulatory authorities (if applicable); (iii) obtain at least two other contemporaneous transactions entered into by the Group for similar Comprehensive Port Logistics Services carried out with Independent Third Parties (if available); and (iv) obtain such other fees of similar transactions conducted by other service providers in the PRC which the Group considers to be matching, fair and competitive.

In light of the above, the Directors (including the independent non-executive Directors after obtaining the advice from the Independent Financial Adviser) consider that the 2023 CIL Comprehensive Port Logistics Services Framework Agreement is entered into in the usual and ordinary course of business of the Group, is conducted on an arm's length basis and on normal commercial terms between the Hubei Port and the Company, and is fair and reasonable, and the continuing connected transactions and the annual caps are in the interests of the Company and its Shareholders as a whole.

B. 2023 HUBEI PORT COMPREHENSIVE PORT LOGISTICS SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 29 September 2022 in relation to the Hubei Port Comprehensive Port Logistics Services Framework Agreement, pursuant to which Hubei Port agreed that the Hubei Port Group will provide Comprehensive Port Logistics Services with a greater focus on transportation and other services to the Group at Phase II and Phase III of Yangluo Port area within the WIT Port (武漢陽邏港), and the Hannan Port (漢南港) from time to time, for a term commencing on 29 September 2022 and ending on 31 December 2022 (both days inclusive).

LETTER FROM THE BOARD

As the Hubei Port Comprehensive Port Logistics Services Framework Agreement has expired on 31 December 2022, and the Hubei Port Group has continued to provide Comprehensive Port Logistics Services to the Group as at the date of this circular, the Company entered into the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, with Hubei Port to renew the Hubei Port Comprehensive Port Logistics Services Framework Agreement for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Details of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement are set out below.

- Date: 25 April 2023
- Parties: (i) The Company; and
(ii) Hubei Port.
- Subject: Pursuant to the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, the parties agreed that the Hubei Port Group will provide Comprehensive Port Logistics Services with a greater focus on container management, among other services, to the Group at Phase II and Phase III of Yangluo Port area within the WIT Port (武漢陽邏港), and agency services within the Hannan Port (漢南港). The 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions contemplated thereunder.
- Specific Agreements: It is envisaged that from time to time and as required, individual transaction agreements will be required to be entered into between the Group and the Hubei Port Group. Each Specific Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement.
- Term: The 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement has a fixed term commencing from 1 January 2023 to 31 December 2025 (both days inclusive). In the event that the transaction amount pursuant to the 2023 Hubei Port Comprehensive Port Logistics Services has incurred to an extent that Independent Shareholders' approval is required pursuant to Chapter 14A of the Listing Rules, further transactions could only be proceeded with upon obtaining such Independent Shareholders' approval.

LETTER FROM THE BOARD

Payment: Payment for the Comprehensive Port Logistics Services will be settled by bank transfer at credit terms to be agreed by the parties in accordance with market practice.

PRICING POLICY AND OTHER TERMS

Under the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment) issued by the Ministry of Transport and National Development and Reform Commission of the PRC, port charges are subject to statutory caps and shall be determined with reference to market demand, production and operational costs incurred and the scope of services provided.

As a general principle, the service fees payable under each of the 2023 Comprehensive Port Logistics Services Framework Agreements for the respective provisions of the Comprehensive Port Logistics Services shall be determined pursuant to good faith negotiations between the parties, with reference (but not limited) to the prevailing market price of similar services, pricing standards of previous transactions, the operational costs (including labor and administrative costs) to be borne by the Group or the Hubei Port Group (as the case may be) for the provision of the Comprehensive Port Logistics Services and pricing standards set by relevant government authorities. In particular, the Group and Hubei Port Group shall adhere to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

Annual Caps and Basis of Determination – 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement

The proposed maximum service fees payable by the Group to the Hubei Port Group under the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement for the three years ending 31 December 2025 are expected not to exceed RMB22.07 million (approximately HK\$25.16 million), RMB23.54 million (approximately HK\$26.83 million) and RMB25.70 million (approximately HK\$29.30 million) respectively, and shall be negotiated on an arm's length basis and in the ordinary course of business and with reference to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment), to ensure that the relevant pricing terms are on normal commercial terms and no more favorable than those being agreed with Independent Third Party service providers for comparable transactions.

Historical transaction amount

During the year ended 31 December 2022, the actual amount of service fees payable by the Group to the Hubei Port Group under the Hubei Port Comprehensive Port Logistics Services Framework Agreement was approximately RMB1.64 million (approximately HK\$1.90 million), which was within the annual cap of RMB3.0 million (approximately HK\$3.4 million). For the period from 1 January 2023 to 25 April 2023, the actual amount of service fees payable by the Group to the Hubei Port Group for the Comprehensive Port Logistics Services was approximately RMB2.61 million (approximately HK\$2.975 million) (unaudited). As one or more of the applicable percentage ratios in respect of such transactions are more than 0.1% but less than 5%, and the total consideration is less than HK\$3 million, such transactions fall within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and are yet to be subject to the reporting, annual review, announcement and

LETTER FROM THE BOARD

Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will monitor the relevant transaction amount to ensure that the highest applicable percentage ratio will not exceed 5% before obtaining the approval of the Independent Shareholders' at the EGM.

Prior to the entering of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, the Company initially assessed that, based on the demand of the Comprehensive Port Logistics Services, the transactions amount for the Comprehensive Port Logistics Services for the year ending 31 December 2023 would be fully exempt under the de minimis exemption under Rule 14A.76(1)(c) of the Listing Rules. As such, a framework agreement would not be required if these transactions are fully exempt under the Listing Rules. In or around March 2023, it came to the attention of the Company that due to an increase in the demand for the Comprehensive Port Logistics Services, the applicable percentage ratios in respect of such transactions for the year ending 31 December 2023 may exceed the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules. Thereafter, the Company took some time to negotiate the terms of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement and is now seeking Shareholders' approval on the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement and the transactions contemplated thereunder (including the annual caps for the three years ending 31 December 2025).

The reasons for the difference in the service fees payable under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement are mainly due to that 1) the business volume will be different to meet the demands for the Comprehensive Port Logistics Services required at each port, with anticipation that the demands for such services to be provided by the Hubei Port Group will be higher at the WIT Port (武漢陽邏港) and the Hannan Port (漢南港); and 2) the service fees payable by the Group to the Hubei Port Group is estimated to be higher than the estimated service fees to be received by the Group, mainly based on the higher volume of the container management services within the WIT Port (武漢陽邏港) and the agency services within the Hannan Port (漢南港) with reference to the pricing standards as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

The Group also adopts the following pricing policy:

- (i) each Specific Agreement will be negotiated on an arm's length basis to ensure that the relevant pricing terms are fair and reasonable and on normal commercial terms; and
- (ii) the relevant member of the Group shall (i) conduct market research on (if available) at least three other Independent Third Parties in the neighbouring ports where the Comprehensive Port Logistics Services are rendered and make reference to the prevailing fees charged by such Independent Third Parties for providing similar services in the same industry; (ii) obtain any standard fees designated by the relevant regulatory authorities (if applicable); (iii) obtain at least two other contemporaneous transactions entered into by the Group for similar Comprehensive Port Logistics Services carried out with Independent Third Parties (if available); and (iv) obtain such other fees of similar transactions conducted by other service providers in the PRC which the Group considers to be matching, fair and competitive.

LETTER FROM THE BOARD

In light of the above, the Directors (including the independent non-executive Directors after obtaining the advice from the Independent Financial Adviser) consider that the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement is entered into in the usual and ordinary course of business of the Group, is conducted on an arm's length basis and on normal commercial terms between the Hubei Port and the Company, and is fair and reasonable, and the continuing connected transactions and the annual caps are in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 COMPREHENSIVE PORT LOGISTICS SERVICES FRAMEWORK AGREEMENTS

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. By entering into the 2023 Comprehensive Port Logistics Services Framework Agreements, the Group will be able to elevate its branding and customer rating as a service provider for the provision of Comprehensive Port Logistics Services, particularly at the ports located in the Yangtze River Basin in Hubei Province, the PRC.

The Company believes that, by providing the Comprehensive Port Logistics Services to the Hubei Port Group at the ports where the Group has a large market share, the Group can further expand and diversify its business and broaden the Group's revenue base, enhancing the Group's profitability and bringing better returns to the Shareholders. At the same time, by cooperating with the Hubei Port Group to provide the Comprehensive Port Logistics Services to the Group at the WIT Port (武漢陽邏港) and the Hannan Port (漢南港), the Group can benefit from the experience and expertise of the Hubei Port Group in handling port related, logistics and other services for the Group at such other ports.

As the Group has been providing the Comprehensive Port Logistics Services to the Hubei Port Group and vice versa, the Board considered that by renewing the Comprehensive Port Logistics Services Framework Agreements and by entering into the 2023 Comprehensive Port Logistics Services Framework Agreements with the Hubei Port Group, it will further expand the Group's geographical coverage in Wuhan, Hubei Province, whilst increasing the volume of business handled by the Group through its existing ports in the Yangtze River Basin, both of which are conducive to the synergy and long-term development of the Group's core business in light of the promising prospects of economic growth in Wuhan.

Given the reasons above, taking into consideration the pricing policies and the internal control measures that the Company has in place, the Board are of the view that the 2023 Comprehensive Port Logistics Services Framework Agreements were entered into in the ordinary and usual course of business of the Group, and the terms of the 2023 Comprehensive Port Logistics Services Framework Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Hubei Port (Hong Kong) is the controlling shareholder of the Company, holding approximately 74.98% of the total issued share capital of the Company and is therefore a connected person of the Company. Hubei Port (Hong Kong) is a wholly owned subsidiary of Hubei Port and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the provision of

LETTER FROM THE BOARD

the Comprehensive Port Logistics Services by the Group to the Hubei Port Group and vice versa under the 2023 Comprehensive Port Logistics Services Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the proposed annual caps under each of the 2023 Comprehensive Port Logistics Services Framework Agreements is more than 5%, each of the 2023 Comprehensive Port Logistics Services Framework Agreements is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control measures with respect to the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements in order to safeguard the interests of the Shareholders:

- (a) before entering into each Specific Agreement, the relevant department of the Company will review the proposed terms for such transactions to ensure that they are conducted on normal commercial terms and in accordance with the terms and pricing policies of the respective 2023 Comprehensive Port Logistics Services Framework Agreements before they approve of the transactions;
- (b) the Company will closely monitor the relevant transaction amount to ensure that the highest applicable percentage ratio will not exceed 5% before obtaining the approval of the Independent Shareholders' at the EGM;
- (c) the relevant department of the Company will continue to monitor the transactions after approval on a regular basis to evaluate if the services are provided pursuant to the terms of the Specific Agreements entered into;
- (d) the independent non-executive Directors will conduct annual review to confirm that the transactions pursuant to the 2023 Comprehensive Port Logistics Services Framework Agreements are (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) in accordance with the said agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (e) the Company will engage an external auditor to conduct annual review on such continuing connected transactions.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES TO THE 2023 COMPREHENSIVE PORT LOGISTICS SERVICES FRAMEWORK AGREEMENTS

Information on the Company and the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The principal activities of the Group are investment in and development, operation and management of containers and other ports, and the provision of port related, logistics and other services, including integrated logistics, port and warehouse leasing and supply chain management and trading business, which are mainly conducted through 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.

Information on Hubei Port

Hubei Port is the holding company of Hubei Port (Hong Kong) (the controlling shareholder of the Company) incorporated in the PRC with limited liability and is ultimately controlled by the Stateowned 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 is 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.

GENERAL

As at the Latest Practicable Date, as Ms. Zhou Wei, the executive Director, also holds the position of director at Hubei Port (Hong Kong), she is considered by the Board to have a material interest in the transactions contemplated under each of the 2023 Comprehensive Port Logistics Services Framework Agreements and has abstained from voting on the Board resolutions approving the entering into of the 2023 Comprehensive Port Logistics Services Framework Agreements.

Saved as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements and is required to abstain from voting on the Board resolutions approving the entering into of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

The Company will convene and hold the EGM at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, China on Wednesday, 28 June 2023 at 09:30 a.m.. The notice convening the EGM is set out on pages 44 to 46 of this circular.

Any Shareholders with a material interest in each of the 2023 Comprehensive Port Logistics Services Framework Agreements or the transactions as contemplated thereunder or their respective associates shall abstain from voting at the EGM. The relevant interested Shareholder, namely, Hubei Port (Hong Kong) and

LETTER FROM THE BOARD

its associates, together held 1,293,429,911 Shares, representing approximately 74.98% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution approving each of the 2023 Comprehensive Port Logistics Services Framework Agreements at the EGM.

Save as disclosed above, as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

FORM OF PROXY

A form of proxy for use at the EGM is enclosed herewith. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cilgl.com). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof (as the case may be).

The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish. If you attend and vote at the AGM, the authority of your proxy will be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.5 of the articles of association of the Company, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the notice of EGM will be taken by way of poll.

An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) and Rule 13.39(5A) of the Listing Rules.

On a poll, every Shareholder present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

RECOMMENDATION

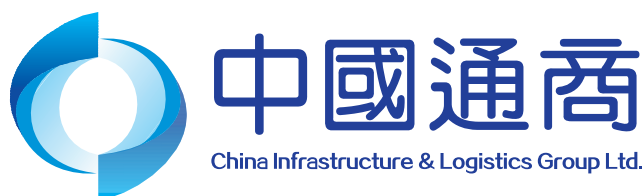
Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 41 of this circular in connection with the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) were entered into in the ordinary and usual course of business on normal commercial terms or better and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) at the EGM as set out in the notice of the EGM.

Your attention is drawn to additional information set out in the appendix to this circular.

Yours faithfully
By order of the Board
China Infrastructure & Logistics Group Ltd.
Mr. Li Xiaoming
Executive Director and Chairman



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)

9 June 2023

To the Independent Shareholders,

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 9 June 2023 (the “**Circular**”) which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee and to advise you on whether the terms of each of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote on the resolutions at the EGM. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 17 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 20 to 41 of the Circular. Your attention is also drawn to the additional information set out in the appendix thereto.

Having taken into account (i) the terms and conditions of each of the 2023 Comprehensive Port Logistics Services Framework Agreements; and (ii) the factors and reasons considered by, and the advice and recommendations of, the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that (i) the terms of each of the 2023 Comprehensive Port Logistics Services Framework Agreements (including the proposed annual caps) are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for those transactions).

Yours faithfully,
Independent Board Committee

Mr. Chau Kwok Keung
*Independent non-executive
Director*

Mr. Fu Xinping
*Independent non-executive
Director*

Dr. Mao Zhenhua
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

9 June 2023

To the Independent Board Committee and the Independent Shareholders

China Infrastructure & Logistics Group Ltd.
Unit A, 7/F., On Hing Building
No. 1 On Hing Terrace
Central, Hong Kong

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2023 COMPREHENSIVE PORT LOGISTICS SERVICES FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 9 June 2023 (the “**Circular**”), 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 the Circular.

As the Comprehensive Port Logistics Services Framework Agreements have expired on 31 December 2022, and the Group and the Hubei Port Group have continued to provide Comprehensive Port Logistics Services to each other, on 25 April 2023, the Company and the Hubei Port entered into the 2023 Comprehensive Port Logistics Services Framework Agreements to renew the Comprehensive Port Logistics Services Framework Agreements for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

As at the Latest Practicable Date, Hubei Port (Hong Kong) is the controlling shareholder of the Company, holding approximately 74.98% of the total issued share capital of the Company and is therefore a connected person of the Company. Hubei Port (Hong Kong) is a wholly owned subsidiary of Hubei Port and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the provision of the Comprehensive Port Logistics Services by the Group to the Hubei Port Group and vice versa under the 2023 Comprehensive Port Logistics Services Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratios in respect of the proposed annual caps under each of the 2023 Comprehensive Port Logistics Services Framework Agreements is more than 5%, each of the 2023 Comprehensive Port Logistics Services Framework Agreements is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Hubei Port (Hong Kong) is considered to have a material interest in the 2023 Comprehensive Port Logistics Services Framework Agreements, Hubei Port (Hong Kong) and its associates will be required to abstain from voting on the relevant resolutions in relation to the 2023 Comprehensive Port Logistics Services Framework Agreements to be proposed at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua, has been formed to advise the Independent Shareholders as to whether the terms of each of the 2023 Comprehensive Port Logistics Services Framework Agreements are fair and reasonable, and such continuing connected transactions (including the annual caps in relation thereto) contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Hubei Port that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee of the Company in relation to the unconditional mandatory cash offer by China International Capital Corporation Hong Kong Securities Limited for and on behalf of Hubei Port (Hong Kong) to acquire all the issued Shares of the Company, details of which are set out in the composite document of the Company dated 4 March 2022. Other than that, there was no engagement or connection between the Group or Hubei Port and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or Hubei Port. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all 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 the Circular are true at the time they were made and continue to be true 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 the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

completeness of the information and representations 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 the Circular 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 respects at the time they were made and continued to be so until the date of the Circular.

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 the Circular 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 Group, Hubei Port or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2023 Comprehensive Port Logistics Services Framework Agreements (including the proposed annual caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and Hubei Port

(i) Information of the Group

The principal activities of the Group are investment in and development, operation and management of containers and other ports, and the provision of port related, logistics and other services, including integrated logistics, port and warehouse leasing and supply chain management and trading business, which are mainly conducted through 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.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022”, respectively) as extracted from the annual reports of the Company for the year ended 31 December 2021 and 2022 (the “2021 Annual Report” and the “2022 Annual Report”, respectively):

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance

	For the year ended 31 December		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Continuing operations			
Revenue	417,862	247,671	319,535
– Terminal service	82,006	81,085	101,697
– Integrated logistics business	34,577	42,177	61,067
– Property business	13,455	14,963	8,901
– Container handling, storage & other service	24,839	22,626	25,384
– General and bulk cargoes handling service	13,515	18,685	5,171
– Supply chain management and trading business	249,470	68,135	117,315
Gross profit	89,586	54,323	85,371
Other income	26,239	30,025	6,201
General, administrative and other operating expenses	(55,282)	(70,955)	(31,995)
Operating profit	60,543	13,393	59,577
Finance costs – net	(35,041)	(23,869)	(19,833)
Depreciation and amortisation	(31,508)	(33,387)	(30,996)
Change in fair value of investment properties	44,740	72,799	25,785
Loss on disposal of subsidiaries	–	(5,988)	–
Share of profit/(loss) of associates	333	139	(796)
Profit before income tax	39,067	23,087	33,737
Income tax expense	(14,643)	(4,297)	(12,824)
Profit for the year from continuing operations	24,424	18,790	20,913
Profit from continuing operations attributable to the Shareholders	27,872	21,650	20,775

The Group's revenue from continuing operations decreased by approximately 40.7% from approximately HK\$417.9 million for FY2020 to approximately HK\$247.7 million for FY2021, primarily attributable to the significant decrease in revenue of HK\$181.3 million from the supply chain management and trading business due to the termination of the non-ferrous metal trading business during 2021. The Group's gross profit decreased by approximately 39.4% from approximately HK\$89.6 million for FY2020 to approximately HK\$54.3 million for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2021, in line with the decrease in revenue. The gross profit margin remained stable at 21.4% for FY2020 and 21.9% for FY2021. The Group's operating profit decreased by approximately 77.9% from approximately HK\$60.5 million for FY2020 to approximately HK\$13.4 million for FY2021 as a result of (1) the decrease in gross profit as mentioned above; and (2) the increase in general, administrative and other operating expenses of approximately HK\$15.7 million due to the increase in staff costs. The Group recorded profit attributable to the Shareholders from continuing operations of approximately HK\$21.7 million for FY2021, representing a decrease of approximately 22.3% from approximately HK\$27.9 million for FY2020. The decrease was primarily attributable to (1) the decrease in operating profit as mentioned above; and (2) the loss on disposal of subsidiaries, offset by (a) the decrease in net finance costs due to the repayment of bank and other borrowings in 2021; and (b) the increase in change in fair value of investment properties due to the recovery of office and warehouse property markets in Wuhan after the COVID-19 pandemic was contained in 2021.

For FY2022, the Group's revenue amounted to approximately HK\$319.5 million, representing an increase of approximately 29.0% as compared to approximately HK\$247.7 million for FY2021. The increase was mainly due to (1) the increase in revenue from the terminal service business due to the increase in container throughput handled by the WIT Port (武漢陽邏港) and the increase in the standard tariff of both gateway cargo containers and trans-shipment containers after the completion of acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, the price cutting competition ceased to exist; (2) the increase in revenue from integrated logistics service due to the increase in business volume from the WIT Port; and (3) the significant increase in revenue from the supply chain management and trading business due to the commencement of the rice and broken rice trading business since September 2022. For FY2022, the Group's gross profit increased by approximately 57.2% to HK\$85.4 million from approximately HK\$54.3 million for FY2021 and the gross profit margin increased to approximately 26.7% from 21.9% for FY2021, which was mainly due to the increase in the revenue from terminal services with relatively higher gross profit margin as a result of the increase in standard tariff of both gateway cargo containers and trans-shipment containers of the WIT Port and the TEUs of gateway cargoes with relatively higher gross profit margins increased. The Group's operating profit increased by approximately 344.8% from approximately HK\$13.4 million for FY2021 to approximately HK\$59.6 million for FY2022 as a result of (1) the increase in gross profit as mentioned above; and (2) the decrease in general, administrative and other operating expenses due to optimizing staff structure and tightening expenses control in 2022, offset by the decrease in other income due to the decrease in government subsidies. The Group recorded profit attributable to the Shareholders of approximately HK\$20.8 million for FY2021, representing a decrease of approximately 4.0% from approximately HK\$21.7 million for FY2021. The decrease was primarily attributable to the decrease in change in fair value of investment properties due to (1) the decrease in the magnitude of rental growth of the warehouse properties in Wuhan in 2022; and (2) the increase in income tax expense due to the increase in taxable profit of certain subsidiaries, offset by the increase in operating profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 December		
	2020	2021	2022
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Non-current assets, including:	1,619,750	1,533,875	1,395,489
– Investment properties	768,298	895,932	851,229
– Property, plant and equipment	590,827	568,514	495,420
Current assets, including:	250,476	150,082	200,515
– Trade and other receivables	137,541	97,782	99,996
– Cash and cash equivalents	38,180	31,127	86,298
Total assets	1,870,226	1,683,957	1,596,004
Current liabilities, including:	634,627	442,911	439,597
– Trade and other payables	291,080	175,784	149,561
– Bank borrowings	120,915	103,935	154,098
– Loans from ultimate holding company	–	–	113,555
Non-current liabilities, including:	313,294	291,871	274,841
– Bank borrowings	116,820	124,722	152,640
– Deferred tax liabilities	95,112	115,637	112,203
Total liabilities	947,921	734,782	714,438
Net assets	922,305	949,175	881,566
Equity attributable to the Shareholders	767,527	829,939	776,544

As at 31 December 2022, total assets of the Group were approximately HK\$1,596.0 million, which mainly consisted of (1) investment properties of approximately HK\$851.2 million, representing the port and warehouse in the Hannan Port, the logistics center adjacent to the Shayang Port, and a stacking yard and certain warehouses at the WIT Port; (2) property, plant and equipment of approximately HK\$495.4 million; (3) trade and other receivables of approximately HK\$100.0 million; and (4) cash and cash equivalents of approximately HK\$86.3 million.

As at 31 December 2022, total liabilities of the Group were approximately HK\$714.4 million, which mainly consisted of (1) bank borrowings of approximately HK\$306.7 million; (2) trade and bills payables of approximately HK\$149.6 million; (3) loans from ultimate holding company of approximately HK\$113.6 million, which were unsecured, interest bearing at 3.85% per annum and repayable within one year; and (4) deferred tax liabilities of approximately HK\$112.2 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Information of Hubei Port*

Hubei Port, being the holding company of Hubei Port (Hong Kong) (the controlling shareholder of the Company), is incorporated in the PRC with limited liability and is ultimately 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 is 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.

2. Reasons for and benefits of entering into the 2023 Comprehensive Port Logistics Services Framework Agreements

As stated in the Letter from the Board, by entering into the 2023 Comprehensive Port Logistics Services Framework Agreements, the Group will be able to elevate its branding and customer rating as a service provider for the provision of Comprehensive Port Logistics Services, particularly at the ports located in the Yangtze River Basin in Hubei Province, the PRC. The Company believes that, by providing the Comprehensive Port Logistics Services to the Hubei Port Group at the ports where the Group has a large market share, the Group can further expand and diversify its business and broaden the Group's revenue base, enhancing the Group's profitability and bringing better returns to the Shareholders. At the same time, by cooperating with the Hubei Port Group to provide the Comprehensive Port Logistics Services to the Group at the WIT Port (武漢陽邏港) and the Hannan Port (漢南港), the Group can benefit from the experience and expertise of the Hubei Port Group in handling port related, logistics and other services for the Group at such other ports.

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, is integrating port resources through asset integration and business reorganisation. Such integration aims to promote the efficient utilisation of resources, reduce transportation costs and strengthen the operational capabilities, so as to build a leading port brand in Hubei, which would exert agglomeration effect and promote the development of the Hubei Port to become the shipping center in the middle reaches of the Yangtze River and even the Yangtze River Economic Belt. As stated in the 2022 Annual Report, the Group recorded increase in the standard tariff of both gateway cargo containers and trans-shipment containers after Hubei Port completed the acquisition of the controlling interests of the Company since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area. The Group's price cutting competition ceased to exist in 2022. Given the integration development in the Yangluo Port area, we consider the entering into the 2023 Comprehensive Port Logistics Services Framework Agreements is a further step taken by Hubei Port to integrate the port resources and enhance operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Group has been providing the Comprehensive Port Logistics Services to the Hubei Port Group and vice versa, the Board considered that by renewing the Comprehensive Port Logistics Services Framework Agreements and by entering into the 2023 Comprehensive Port Logistics Services Framework Agreements with the Hubei Port Group, it will further expand the Group's geographical coverage in Wuhan, Hubei Province, whilst increasing the volume of business handled by the Group through its existing ports in the Yangtze River Basin, both of which are conducive to the synergy and long-term development of the Group's core business in light of the promising prospects of economic growth in Wuhan.

Based on the above, we concur with the Board that the entering into of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2023 Comprehensive Port Logistics Services Framework Agreements

Details of the terms of the 2023 Comprehensive Port Logistics Services Framework Agreements are set out in the sections headed "Continuing Connected Transactions and their respective Annual Caps" in the Letter from the Board. Set out below are the principal terms of the 2023 Comprehensive Port Logistics Services Framework Agreements:

(i) *2023 CIL Comprehensive Port Logistics Services Framework Agreement*

Date	:	25 April 2023
Parties	:	(a) The Company; and (b) Hubei Port.
Nature of transaction	:	Pursuant to the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, the parties agreed that the Group will provide Comprehensive Port Logistics Services with a greater focus on port loading and unloading, among other services, to the Hubei Port Group at Phase I of Yangluo Port area within the WIT Port (武漢陽邏港), and leasing and power services within the Hannan Port (漢南港) to the Hubei Port Group. The 2023 CIL Comprehensive Port Logistics Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions contemplated thereunder.

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- Specific agreements : It is envisaged that from time to time and as required, individual transaction agreements will be required to be entered into between the Group and the Hubei Port Group. Each Specific Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2023 CIL Comprehensive Port Logistics Services Framework Agreement.
- Term : The 2023 CIL Comprehensive Port Logistics Services Framework Agreement has a fixed term commencing from 1 January 2023 to 31 December 2025 (both days inclusive). In the event that the transaction amount pursuant to the 2023 CIL Comprehensive Port Logistics Services has incurred to an extent that Independent Shareholders' approval is required pursuant to Chapter 14A of the Listing Rules, further transactions could only be proceeded with upon obtaining such Independent Shareholders' approval.
- Payment : Payment for the Comprehensive Port Logistics Services will be settled by bank transfer at credit terms to be agreed by the parties in accordance with market practice.
- Pricing Policy : Under the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment) issued by the Ministry of Transport and National Development and Reform Commission of the PRC, port charges are subject to statutory caps and shall be determined with reference to market demand, production and operational costs incurred and the scope of services provided.

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As a general principle, the service fees payable under each of the 2023 Comprehensive Port Logistics Services Framework Agreements for the respective provisions of the Comprehensive Port Logistics Services shall be determined pursuant to good faith negotiations between the parties, with reference (but not limited) to the prevailing market price of similar services, pricing standards of previous transactions, the operational costs (including labor and administrative costs) to be borne by the Group or the Hubei Port Group (as the case may be) for the provision of the Comprehensive Port Logistics Services and pricing standards set by relevant government authorities. In particular, the Group and the Hubei Port Group shall adhere to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

In assessing whether the terms of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement are fair and reasonable, we have selected in a random basis and reviewed two agreements (the “**CIL Agreements**”) entered into between the Group as the service provider and the Hubei Port Group for the provision of port loading and unloading, container management, and leasing and power services in 2022. For comparison purpose, we have also selected in a random basis and reviewed four agreements (the “**Independent Customer Agreements**”) entered into between the Group as the service provider and independent customers for the provision of similar services in 2022. Based on our review of the calculation of the proposed annual caps under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, the transaction amount is expected to be mainly derived from the provision of port loading and unloading, container management and leasing and power services. As the scopes under the CIL Agreements and the Independent Customer Agreements cover the principal service scopes under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement, we consider the review of the CIL Agreements and the Independent Customer Agreements to be sufficient.

Regarding the port loading and unloading, and container management services, we noted the terms of the CIL Agreements and Independent Customer Agreements are generally the same. The service fee is determined based on container type, weight, specific service, number of days, etc., and the payment shall be settled in the following month. Regarding the leasing services, in 2022, the Group and the Hubei Port Group entered into a lease agreement for the ro-ro terminal, the yard and the barge. Before being leased to the Hubei Port Group, these assets were leased to an independent customer. In this regard, we have obtained and reviewed the series of lease agreements entered into between the Group and this independent customer. We noted the rents of the ro-ro terminal, the yard and the barge charged to the Hubei Port Group and those charged to the independent customer were generally the same. As for the power service, we noted the fee was charged based on the same basis, being the actual cost incurred by the Group.

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Based on our review of the agreements as stated above, we noted that the terms of the CIL Agreements and the Independent Customer Agreements were generally similar. Hence, we consider that the terms, including pricing basis, of the CIL Agreements are on normal commercial terms which are fair and reasonable and the terms offered to the Hubei Port Group are not being more favorable than those offered by the Group to independent customers for similar transactions. Given that terms of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement will be generally consistent with the CIL Comprehensive Port Logistics Services Framework Agreement, we consider that the terms of 2023 CIL Comprehensive Port Logistics Services Framework Agreement to be on normal commercial terms which are fair and reasonable.

(ii) *2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement*

Date	:	25 April 2023
Parties	:	(a) The Company; and (b) Hubei Port.
Nature of transaction	:	Pursuant to the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, the parties agreed that the Hubei Port Group will provide Comprehensive Port Logistics Services with a greater focus on container management, among other services to the Group at Phase II and Phase III of Yangluo Port area within the WIT Port (武漢陽邏港), and agency services within the Hannan Port (漢南港). The 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions contemplated thereunder.
Specific agreements	:	It is envisaged that from time to time and as required, individual transaction agreements will be required to be entered into between the Group and the Hubei Port Group. Each Specific Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement.

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- Term : The 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement has a fixed term commencing from 1 January 2023 to 31 December 2025 (both days inclusive). In the event that the transaction amount pursuant to the 2023 Hubei Port Comprehensive Port Logistics Services has incurred to an extent that Independent Shareholders' approval is required pursuant to Chapter 14A of the Listing Rules, further transactions could only be proceeded with upon obtaining such Independent Shareholders' approval.
- Payment : Payment for the Comprehensive Port Logistics Services will be settled by bank transfer at credit terms to be agreed by the parties in accordance with market practice.
- Pricing Policy : Under the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment) issued by the Ministry of Transport and National Development and Reform Commission of the PRC, port charges are subject to statutory caps and shall be determined with reference to market demand, production and operational costs incurred and the scope of services provided.

As a general principle, the service fees payable under each of the 2023 Comprehensive Port Logistics Services Framework Agreements for the respective provisions of the Comprehensive Port Logistics Services shall be determined pursuant to good faith negotiations between the parties, with reference (but not limited) to the prevailing market price of similar services, pricing standards of previous transactions, the operational costs (including labor and administrative costs) to be borne by the Group or the Hubei Port Group (as the case may be) for the provision of the Comprehensive Port Logistics Services and pricing standards set by relevant government authorities. In particular, the Group and the Hubei Port Group shall adhere to the statutory caps as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

The Group also adopts the following pricing policy: (a) each Specific Agreement will be negotiated on an arm's length basis to ensure that the relevant pricing terms are fair and reasonable and on normal commercial terms; and (b) the relevant member of the Group shall (1) conduct market research on (if available) at least three other Independent Third Parties in the neighbouring ports where the Comprehensive Port Logistics Services are rendered and make reference to the prevailing fees charged by such Independent Third Parties for providing

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similar services in the same industry; (2) obtain any standard fees designated by the relevant regulatory authorities (if applicable); (3) obtain at least two other contemporaneous transactions entered into by the Group for similar Comprehensive Port Logistics Services carried out with Independent Third Parties (if available); and (4) obtain such other fees of similar transactions conducted by other service providers in the PRC which the Group considers to be matching, fair and competitive.

In assessing whether the terms of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement are fair and reasonable, we have reviewed three agreements entered into in 2022 and one agreement to be entered into in 2023 between the Group and the Hubei Port Group as the service provider for the provision of agency service, container management service and port loading and unloading service (“**Hubei Port Agreements**”). For comparison purpose, we have also selected in a random basis and reviewed two agreements (the “**Independent Supplier Agreements**”) entered into between the Group and independent service providers for the provision of agency service in 2022. As advised by the management of the Group, no agreement was entered into between the Group and independent service providers for the provision of container management service and port loading and unloading service since 2022. Based on our review of the calculation of the proposed annual caps under the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, the transaction amount is expected to be mainly derived from the provision of agency service, container management service and port loading and unloading. As the scopes under the Hubei Port Agreements and the Independent Supplier Agreements cover the principal service scopes under the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement, we consider the review of the Hubei Port Agreements and the Independent Supplier Agreements to be sufficient.

The agency service principally refers to the related services involved in the process of the service provider picks up the containers from the place of origin and transports the containers to the designated place. According to our review of the Hubei Port Agreements, the Hubei Port Group mainly provides railway transportation service to the Group and the transportation fee charged by the Hubei Port Group is determined based on the national railway freight standard. In this regard, we have compared the transportation fee charged by the Hubei Port Group with the “Benchmark freight rates for railway transport of various goods (Fagai Price [2015] No. 183)” (各類貨物鐵路運輸基準運價率表(發改價格[2015]183號)), being the national railway freight standard in effect, and noted the transportation fee charged by the Hubei Port Group is much lower than the national standard, which we consider to be favorable to the Group. We noted from the Independent Supplier Agreement that the transportation fee charged by the independent service providers also set their prices with reference to the relevant government regulations and standards, and is negotiated according to the specific situation.

Regarding the container management service, pursuant to the agreement to be entered into between the Group and the Hubei Port Group in 2023, for the uniform and efficient operation of the whole Yangluo Port, although the Phase II and Phase III are operated by the Hubei Port Group, the Group is going to enter into agreements with customers on behalf of the whole Yangluo Port, and then distribute the container management works to the Hubei Port Group. The service fee charged on the customers of Yangluo Port would be first collected by the

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Group and then allocated to the Hubei Port Group. We consider such arrangement would enable the Group to maintain and control the efficient operation of Yangluo Port and is consistent with the aim of the Work Plan to integrate the port resources and realize the unified operation of Yangluo Port.

As for port loading and unloading service, we have reviewed the Hubei Port Agreement and noted the service fee standard charged by the Hubei Port Group to the Group is consistent with that charged to other independent customers in Yangluo Port, which we consider to be no less favorable to the Group.

Based on the review of the agreements as stated above, we consider that the terms, including pricing basis, of the Hubei Port Agreements are on normal commercial terms which are fair and reasonable. Given that terms of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement will be generally consistent with the Hubei Port Comprehensive Port Logistics Services Framework Agreement, we consider that the terms of 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement to be on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

The Company has adopted the following internal control measures with respect to the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements in order to safeguard the interests of the Shareholders:

- (i) before entering into each Specific Agreement, the relevant department of the Company will review the proposed terms for such transactions to ensure that they are conducted on normal commercial terms and in accordance with the terms and pricing policies of the respective 2023 Comprehensive Port Logistics Services Framework Agreements before they approve of the transactions;
- (ii) the Company will closely monitor the relevant transaction amount to ensure that the highest applicable percentage ratio will not exceed 5% before obtaining the approval of the Independent Shareholders at the EGM;
- (iii) the relevant department of the Company will continue to monitor the transactions after approval on a regular basis to evaluate if the services are provided pursuant to the terms of the Specific Agreements entered into;
- (iv) the independent non-executive Directors will conduct annual review to confirm that the transactions pursuant to the 2023 Comprehensive Port Logistics Services Framework Agreements are (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) in accordance with the said agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (v) the Company will engage an external auditor to conduct annual review on such continuing connected transactions.

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In assessing whether the above internal control measures are put in place and effectively implemented, as mentioned in the section headed “3. Principal terms of the 2023 Comprehensive Port Logistics Services Framework Agreements” above, we have obtained and reviewed two CIL Agreements, four Independent Customer Agreements, three Hubei Port Agreements and two Independent Supplier Agreements, and consider that the terms including pricing basis of the CIL Agreements and Hubei Port Agreements are on normal commercial terms which are fair and reasonable. Having considered that the Group had been effectively implemented its internal control measures for the transactions contemplated under the Comprehensive Port Logistics Services Framework Agreements, we are of the view that the internal control measure for monitoring the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements would be effectively implemented.

Having considered the above, in particular (i) the ongoing monitoring of the transactions under the 2023 Comprehensive Port Logistics Services Framework Agreements; and (ii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions under the 2023 Comprehensive Port Logistics Services Framework Agreements and the annual caps thereunder, we concur with the Board that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the 2023 Comprehensive Port Logistics Services Framework Agreements will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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5. Assessment of the proposed annual caps

(i) *Review of the historical figures*

Set out below are the historical annual caps and actual transaction amounts regarding the transactions contemplated under the Comprehensive Port Logistics Services Framework Agreements:

**For the year ended
31 December 2022**
(RMB million)
(audited)

The CIL Comprehensive Port Logistics Services Framework Agreement

Actual service fees	3.43
Historical annual cap	6.50
Utilization rate	52.8%

The Hubei Port Comprehensive Port Logistics Services Framework Agreement

Actual service fees	1.64
Historical annual cap	3.00
Utilization rate	54.7%

As shown in the table above, the actual service fees paid by the Hubei Port Group to the Group regarding the transactions contemplated under the CIL Comprehensive Port Logistics Services Framework Agreement were approximately RMB3.43 million for FY2022, representing approximately 52.8% of the annual cap.

As for the Hubei Port Comprehensive Port Logistics Services Framework Agreement, the actual service fees paid by the Group to the Hubei Port Group under the Hubei Port Comprehensive Port Logistics Services Framework Agreement were approximately RMB1.64 million for FY2022, representing approximately 54.7% of the annual cap.

As advised by the management of the Group, the utilization rates for FY2022 were relatively low as a result of the Group's business and operations having been impacted by resurgence of COVID-19 in the PRC. However, the Group also considered factors, including (1) the scaling back of COVID-19 restrictive measures in China; (2) the general recovery trend of the PRC economy; (3) the increased confidence in the Group's business resulting from the Work Plan and the successful integration with the Hubei Port Group; and (4) the recovery and growth in demand of the services as evidenced by the actual transaction amounts for the period from 1 January 2023 to 25 April 2023, in determining the proposed annual caps for the coming years.

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For the period from 1 January 2023 to 25 April 2023, the actual amount of service fees payable by the Hubei Port Group to the Group for the Comprehensive Port Logistics Services was approximately RMB2.63 million. For the period from 1 January 2023 to 25 April 2023, the actual amount of service fees payable by the Group to the Hubei Port Group for the Comprehensive Port Logistics Services was approximately RMB2.61 million. As one or more of the applicable percentage ratios in respect of such transactions are more than 0.1% but less than 5%, and the total consideration is less than HK\$3 million, such transactions fall within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and are yet to be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will monitor the relevant transaction amount to ensure that the highest applicable percentage ratio will not exceed 5% before obtaining the approval of the Independent Shareholders' at the EGM.

Prior to the entering of the 2023 Comprehensive Port Logistics Services Framework Agreements, the Company initially assessed that, based on the demand of the Comprehensive Port Logistics Services, the transactions amount for the Comprehensive Port Logistics Services for the year ending 31 December 2023 would be fully exempt under the de minimis exemption under Rule 14A.76(1)(c) of the Listing Rules. As such, a framework agreement would not be required if these transactions are fully exempt under the Listing Rules. In or around March 2023, it came to the attention of the Company that due to an increase in the demand for the Comprehensive Port Logistics Services, the applicable percentage ratios in respect of such transactions for the year ending 31 December 2023 may exceed the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules. Thereafter, the Company took some time to negotiate the terms of the 2023 Comprehensive Port Logistics Services Framework Agreements and is now seeking Shareholders' approval on the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder (including the annual caps for the three years ending 31 December 2025).

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(ii) *Assessment of the proposed annual caps*

In assessing the reasonableness of the proposed annual caps under the 2023 Comprehensive Port Logistics Services Framework Agreements, we have discussed with the management of the Group on the basis and assumption underlying the projections for the Comprehensive Port Logistics Services to be provided by the Group or the Hubei Port Group. As advised by the management of the Group, in determining the proposed annual caps for the three years ending 31 December 2025, they have taken into account, among others, (a) the historical transaction amounts for FY2022 and for the three months ended 31 March 2023; (b) the transaction amount under the existing signed agreements; (c) the possible sustained growth of the PRC economy and the port industry in Hubei Province; and (d) the expected business growth of the Group and Hubei Port Group particularly following the integration of Yangluo Port area. We have discussed with the management of the Group on each of the above factors and their potential impacts on the proposed annual caps and reviewed the relevant calculations. Set out below is a summary of the calculation of the proposed annual caps for the transactions under the 2023 Comprehensive Port Logistics Services Framework Agreements for each of the three years ending 31 December 2025:

	For the year ending 31 December 2023 <i>(RMB million)</i>	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>
2023 CIL Comprehensive Port Logistics Services Framework Agreement			
Port loading and unloading	8.12	10.25	11.95
Leasing and power	7.02	7.66	8.01
Container management	0.38	0.40	0.42
Subtotal	15.52	18.31	20.38
 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement			
Agency	2.29	4.52	5.92
Container management	9.28	9.72	10.28
Port loading and unloading	9.00	9.30	9.50
Other services	1.50	–	–
Subtotal	22.07	23.54	25.70

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The reasons for the difference in the service fees payable under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement are mainly due to that (a) the business volume will be different to meet the demands for the Comprehensive Port Logistics Services required at each port, with anticipation that the demands for such services to be provided by Hubei Port Group will be higher at the WIT Port (武漢陽邏港) and the Hannan Port (漢南港); and (b) the service fees payable by the Group to Hubei Port Group is estimated to be higher than the estimated service fees to be received by the Group, mainly based on the higher volume of the container management services within the WIT Port (武漢陽邏港) and the agency services within the Hannan Port (漢南港) with reference to the pricing standards as set out in the Measures for Calculating Port Charges* (港口收費計費辦法) (2019 Amendment).

2023 CIL Comprehensive Port Logistics Services Framework Agreement

Based on our review of the calculation of the proposed annual caps, the transaction amount for the provision of leasing and power services is expected to increase at a compound annual growth rate (the “CAGR”) of approximately 9.4% from 2022 to 2025, based on the annualized actual transaction amount of approximately RMB1.53 million for the three months ended 31 March 2023. We have obtained and reviewed the existing lease agreement with a term covering the three years ending 31 December 2025 in relation to the ro-ro terminal, the yard and the barge, and noted that the contract amount is expected to cover over 95% of the estimated transaction amount of the leasing and power services for each of the three years ending 31 December 2025. We noted that the expected growth in the transaction amount of the leasing and power services is mainly contributed by the agreed increase in the rent of the ro-ro terminal, the yard and the barge.

For FY2022, the Group recorded revenue from the provision of port loading and unloading services to the Hubei Port Group of approximately RMB3.4 million, which is included in the terminal service segment. Based on the calculation, such revenue is expected to increase at a CAGR of approximately 51.8% from 2022 to 2025. As stated in the 2022 Annual Report, the Group’s revenue generated from terminal service increased by approximately 25.4% from HK\$81.1 million for FY2021 to HK\$101.7 million for FY2022, mainly due to the increase in the container throughput handled by the WIT Port (陽邏港) and the increase in the standard tariff of both gateway cargo containers and trans-shipment containers after the completion of the acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, which ceased the price cutting competition. According to the statistics of the Department of Transport of Hubei Province, in the first quarter of 2023, the container throughput in Hubei Province was 782,000 TEUs, representing an increase of approximately 32.6% from 589,500 TEUs in the first quarter of 2022. With the completion of the integration of port resources and the significant growth in the first quarter of 2023, we consider that the Hubei Port Group’s demand for the Group’s loading and unloading services will grow significantly in the following years, and it is reasonable to record a higher growth of the transaction amount for the port loading and unloading services.

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With respect to the provision of container management service, the Group recorded revenue of approximately RMB80,000 for the three months ended 31 March 2023, and it would be amounted to approximately RMB0.32 million when annualized. Having considered that the first quarter is generally the low season for the port industry due to the Chinese New Year, we consider the expected transaction amount for the year ending 31 December 2023 of approximately RMB0.38 million to be reasonable. The transaction amount is expected to grow by approximately 5.1% annually to approximately RMB0.42 million for the year ending 31 December 2025. We noted the expected growth rate is generally consistent with the PRC's 2023 GDP growth target of around 5%.

Based on the above estimated increase in transaction amount for the provision of leasing and power, container management and port loading and unloading services, we consider the annual caps of the 2023 CIL Comprehensive Port Logistics Services Framework Agreement to be fair and reasonable.

2023 Hubei Port Comprehensive Port Logistics Services Framework

Based on our review of the calculation of the proposed annual caps, the transaction amount for the provision of agency service by the Hubei Port Group is expected to increase at a CAGR of approximately 61.5% from approximately RMB1.41 million for FY2022 to approximately RMB5.92 million for the year ending 31 December 2025. Based on our discussion with the management of the Group, the railway transportation service is going to uniformly assigned to the Hubei Port Group to provide since 2023, which may lead to a rapid growth in the transaction amount for the provision of agency service by the Hubei Port Group. The Group's revenue generated from the integrated logistics service business, including agency and logistics services, increased by approximately 44.8% to HK\$61.1 million for FY2022 from HK\$42.2 million for FY2021. Taking into account (1) the deepening cooperation between the Group and the Hubei Port Group; and (2) the Group's fast-growing revenue from the integrated logistics service business, we consider the expected growth in the transaction amount of agency service to be reasonable.

The transaction amount for the container management service provided by the Hubei Port Group is expected to increase at a CAGR of approximately 253.7% from approximately RMB0.23 million for FY2022 to approximately RMB10.28 million for the year ending 31 December 2025. As mentioned in "3. Principal terms of the 2023 Comprehensive Port Logistics Services Framework Agreements", we have obtained and reviewed the agreement to be entered into between the Group and the Hubei Port Group in relation to the provision of the container management service in 2023, pursuant to which the Group is going to enter into agreements with customers on behalf of the whole Yangluo Port and then distribute the container management works to the Hubei Port Group. As the Group did not operate Phase II and Phase III of the Yangluo Port previously, such arrangement will lead to a great increase in revenue and costs generated from the container management service.

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The Hubei Port is expected to provide port loading and unloading service to the Group with transaction amounts of approximately RMB9.0 million, RMB9.3 million and RMB9.3 million for the three years ending 31 December 2025. We have discussed the Group and the Hubei Port Group's business plan with the management of the Group in respect of port loading and unloading service. As advised by the management of the Group, the Group and the Hubei Port Group propose to cooperate in the provision of transportation service, in particular in one of the Hubei Port's terminals which is restricted by its conditions that large ships are not be able to enter into that Hubei Port Group's terminal to transport goods. In that terminal, the goods will first be required to deliver to that Hubei Port Group's terminal by small ships, and then be transported to the Group's terminal by the Hubei Port Group. The goods will be loaded onto large ships at the Group's terminal and then transported to the destination. The Group will enter into service agreements with the customers of the Hubei Port Group, with the Group being responsible for the port loading and unloading costs payable to the Hubei Port Group. Based on the negotiation between the Group and the Hubei Port Group as well as the expected transportation volume, the expected transaction amount for the year ending 31 December 2023 is determined. The increase in the expected transaction amount represents a CAGR of approximately 2.7% from 2023 to 2025. We consider the growth rate to be prudent and reasonable compared to the Group's historical business expansion.

Based on the above estimated increase in transaction amount for the provision of agency, port loading and unloading and container management services by the Hubei Port Group, we consider the annual caps of the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement to be fair and reasonable.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2023 Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023 Comprehensive Port Logistics Services Framework Agreements (including the proposed annual caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the 2023 Comprehensive Port Logistics Services Framework Agreements (including the proposed annual caps) and the transactions contemplated thereunder.

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 ten years of experience in the corporate finance industry.

1. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any of the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

2. SERVICE CONTRACTS

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

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, was subsisting at the Latest Practicable Date.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
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

As at the Latest Practicable Date, Rainbow Capital (HK) Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) any direct or indirect interest in any assets which had, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Rainbow Capital (HK) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

The letter and recommendation is given by Rainbow Capital (HK) Limited as of the date of this circular for incorporation herein.

8. DOCUMENTS ON DISPLAY

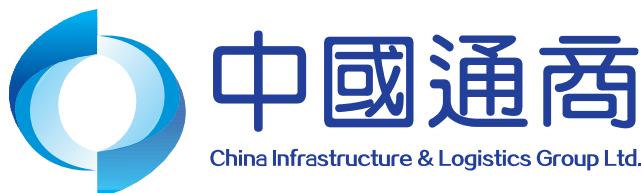
Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.cilgl.com) from the date of this circular up to and including the date of the EGM:

- (a) the 2023 CIL Comprehensive Port Logistics Services Framework Agreement;
- (b) the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement; and
- (c) the written consent from Rainbow Capital (HK) Limited referred to in paragraph 7 of this Appendix I.

9. MISCELLANEOUS

In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the an extraordinary general meeting (the “EGM”) of China Infrastructure & Logistics Group Ltd. (the “Company”) will be convened and held at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, China on Wednesday, 28 June 2023 at 09:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

1. “**THAT**

- (a) the 2023 CIL Comprehensive Port Logistics Services Framework Agreement (as defined in the circular of the Company dated 9 June 2023 (the “Circular”)) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under the 2023 CIL Comprehensive Port Logistics Services Framework Agreement be and are hereby approved, confirmed and ratified; and
- (c) any one director of the Company (“**Director(s)**”), or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/she/they in his/her/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2023 CIL Comprehensive Port Logistics Services Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director(s), in the interest of the Company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“THAT**

- (a) the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 for the transactions under the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement be and are hereby approved, confirmed and ratified; and
- (c) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/she/they in his/her/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2023 Hubei Port Comprehensive Port Logistics Services Framework Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director(s), in the interest of the Company.”

By order of the Board of the Directors
China Infrastructure & Logistics Group Ltd.
Mr. Li Xiaoming
Executive Director and Chairman

Hong Kong, 9 June 2023

Registered office:
P.O. Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
Unit A, 7/F.,
On Hing Building,
No. 1 On Hing Terrace,
Central, Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iv) For the purpose of determining the shareholders' rights to attend and vote at the EGM, the register of members of the Company will be closed from 23 June 2023 (Friday) to 28 June 2023 (Wednesday) (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the above meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 June 2023 (Wednesday).

As at the date of this circular, the Board comprises Mr. Li Xiaoming, Mr. Qiao Yun and Ms. Zhou Wei as executive Directors; Mr. Xu Aoling as non-executive Director; and Mr. Chau Kwok Keung, Mr. Fu Xiping and Dr. Mao Zhenhua as independent non-executive Directors.