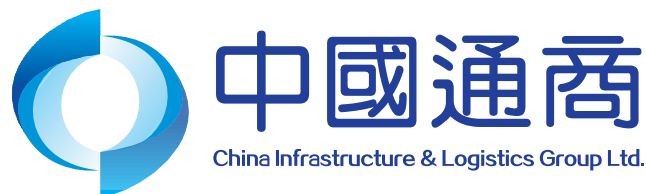

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF A SUBSIDIARY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover shall have the same meanings as those defined in the circular.

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 10 of this circular. A letter from Rainbow Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 26 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on 19 January 2024 (Friday) at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, PRC is set out on pages EGM-1 to EGM-2 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

29 December 2023

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DEFINITIONS

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

“Asset Valuation Report”	the asset valuation report dated 24 November 2023 in respect of 100% equity interest of Zhongxiang City Zhongji as at 30 September 2023 issued by the Asset Valuer, the content of which is set out in Appendix I of this circular;
“Asset Valuer”	Beijing Renda Real Estate and Land Assets Appraisal Co., Ltd.* (北京仁達房地產土地資產評估有限公司);
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	China Infrastructure & Logistics Group Ltd. (中國通商集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange with stock code 01719;
“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;
“Disposal”	the disposal of the Sale Equity Interest by Wuhan Zhongji to Hubei Port Hanjiang pursuant to the Equity Transfer Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder, the notice of which is set out on pages EGM-1 to EGM-2 of this circular;
“Equity Transfer Agreement”	the equity transfer agreement dated 24 November 2023 entered into among Wuhan Zhongji, Hubei Port Hanjiang and Zhongxiang City Zhongji in relation to, among others, the disposal of the Sale Equity Interest;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

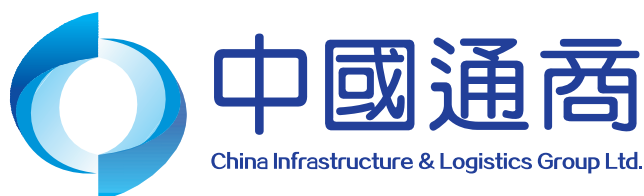
“Hubei Port”	Hubei Port Group Company Limited* (湖北港口集團有限公司), (formerly known as Wuhan Port and Shipping Development Group Co., Ltd.* (武漢港航發展集團有限公司) and 湖北省港口集團有限公司), a state-owned enterprise and the controlling shareholder of the Company as at the Latest Practicable Date;
“Hubei Port Hanjiang”	Hubei Port Group Hanjiang Co., Ltd.* (湖北港口集團漢江有限公司), a limited liability company established in the PRC;
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Equity Transfer Agreement and the Disposal;
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the Disposal;
“Independent Shareholder(s)”	Shareholder(s) other than (i) Hubei Port and its associates; and (ii) any other persons who are involved or interested in the Disposal;
“Latest Practicable Date”	21 December 2023, being the latest practicable date for ascertaining information referred to in this circular prior to its publication;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, which has been adopted by the Company as the code of conduct for securities transactions by the Directors;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“Property Valuation Report”	the property valuation report issued by the Property Valuer dated 29 December 2023 in relation to the market value of properties of Zhongxiang City Zhongji as at 30 September 2023, the content of which is set out in Appendix II of this circular;
“Property Valuer”	ValQuest Advisory (Hong Kong) Limited;
“PRC”	the People’s Republic of China;

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity Interest”	60% equity interest in Zhongxiang City Zhongji, being the subject matter of the Equity Transfer Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuhan Zhongji”	Wuhan Zhongji Tongyong Port Development Co., Ltd.* (武漢中基通用港口發展有限公司), a limited liability company established in the PRC;
“Zhongxiang City Transport Investment”	Zhongxiang City Transport Investment Co., Ltd.* (鐘祥市交通投資有限公司), a limited liability company established in the PRC;
“Zhongxiang City Zhongji”	Zhongxiang City Zhongji Port Development Co., Ltd.* (鐘祥市中基港口發展有限公司), a limited liability company established in the PRC; and
“%”	per cent.

* For identification purposes 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:

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

Head office:

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

Non-executive Directors:

Mr. Xu Aoling
Mr. Li Wei

Independent Non-executive Directors:

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

29 December 2023

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF A SUBSIDIARY**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 November 2023 in relation to the Equity Transfer Agreement. The purpose of this circular is to provide you with information in relation to, among other things, (i) further details of the Disposal; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Disposal; (iii) the advice provided by Rainbow Capital to the Independent Board Committee and the Independent Shareholders regarding the Disposal; and (iv) a notice convening the EGM.

LETTER FROM THE BOARD

II. THE EQUITY TRANSFER AGREEMENT

The principal terms and conditions of the Equity Transfer Agreement are set out as follows:

Date

24 November 2023

Parties

- (1) Wuhan Zhongji (as vendor);
- (2) Hubei Port Hanjiang (as purchaser); and
- (3) Zhongxiang City Zhongji (as target company).

Subject Matter

Subject to the terms and conditions under the Equity Transfer Agreement, Wuhan Zhongji conditionally agreed to sell, and Hubei Port Hanjiang conditionally agreed to purchase, the Sale Equity Interest, representing 60% equity interest in Zhongxiang City Zhongji.

Consideration and Payment Terms

The consideration for the Disposal is RMB69,576,900. The consideration shall be paid by Hubei Port Hanjiang to Wuhan Zhongji in cash in the following manner:

- (i) RMB3,478,845, being 5% of the total consideration, shall be paid by Hubei Port Hanjiang to Wuhan Zhongji within 30 working days after the Equity Transfer Agreement becoming effective; and
- (ii) RMB66,098,055, being the remaining consideration, shall be paid by Hubei Port Hanjiang to Wuhan Zhongji within 5 days after the registration of change of shareholding of the Sale Equity Interest having been completed.

The consideration for the Disposal was determined after arm's length negotiations between Wuhan Zhongji and Hubei Port Hanjiang on normal commercial terms and with reference to the appraised equity value of Zhongxiang City Zhongji as of 30 September 2023 in the amount of RMB115,961,500.

The appraised equity value of Zhongxiang City Zhongji as of 30 September 2023 in the amount of RMB115,961,500 was arrived at according to the Asset Valuation Report issued by the Asset Valuer, using the asset-based approach and set out in the Asset Valuation Report.

LETTER FROM THE BOARD

Effective Date

The Equity Transfer Agreement shall take effect upon affixing of the company seals by the parties thereto and obtaining all relevant approvals.

Conditions precedent

Completion of the Equity Transfer Agreement is conditional upon the approval of the transactions contemplated under the Equity Transfer Agreement by the Independent Shareholders at the EGM in accordance with the Listing Rules and the approval of the shareholder of Hubei Port Hanjiang.

As at the Latest Practicable Date, the above conditions have not been satisfied.

Completion

The registration in relation to the change of shareholder of Zhongxiang City Zhongji with the relevant authority under the State Administration for Industry and Commerce shall be completed within 10 days after the Equity Transfer Agreement takes effect and the issuance of the relevant approval document.

III. INFORMATION ON ZHONGXIANG CITY ZHONGJI

Zhongxiang City Zhongji, a company owned as to 60% by the Company and 40% by Zhongxiang City Transport Investment (a state-owned enterprise in the PRC) as at the Latest Practicable Date, is a limited liability company established in the PRC with a registered capital of RMB100,000,000. It is principally engaged in investment, construction, development, operation and management of transportation infrastructure, construction and development of container terminal, loading and unloading, transshipment, storage and custody, loading and unpacking, cleaning and maintenance of containers, loading, unloading, transshipment, storage and custody of other goods, bonded warehousing and logistics, road transportation, international and domestic cargo transportation agency, business related to container and other cargo loading and unloading transportation and operation of freight stations, house leasing and property services.

The audited consolidated financial information of Zhongxiang City Zhongji for the two years ended 31 December 2021 and 2022 prepared in accordance with China Accounting Standards for Business Enterprises are as follows:

	For the year ended 31 December 2021 (audited) HK\$	For the year ended 31 December 2022 (audited) HK\$
Net profit/(loss) before taxation	(1,527,963.4)	(4,641,138.9)
Net profit/(loss) after taxation	4,965,842.12	(3,753,641.53)

LETTER FROM THE BOARD

As at 31 December 2022, the audited net asset value of Zhongxiang City Zhongji was approximately HK\$119,934,724.13. As at 30 June 2023, the unaudited net asset value of Zhongxiang City Zhongji was approximately HK\$105,469,000.

IV. INFORMATION ON WUHAN ZHONGJI AND HUBEI PORT HANJIANG

Wuhan Zhongji

Wuhan Zhongji, a wholly-owned subsidiary of the Company, is a limited liability company established in the PRC. It is principally engaged in investment, operation and management of the transportation infrastructure, preparation, planning and project management of Yangluo general terminal, loading and unloading, handling, storage, custody, packing and unpacking, cleaning and maintenance of containers, loading and unloading, handling, storage and custody of cargoes, etc.

Hubei Port Hanjiang

Hubei Port Hanjiang, a wholly-owned subsidiary of Hubei Port, is a limited liability company established in the PRC. It is principally engaged in port operation, sale of coal and related products, general cargo warehousing service and non-vessel operating common carrier service.

V. FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Equity Transfer Agreement, Zhongxiang City Zhongji will be owned as to 60% by Hubei Port Hanjiang and 40% by Zhongxiang City Transport Investment and Zhongxiang City Zhongji will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the financial statements of the Group.

Based on the consideration of the Disposal, the Company expects to recognise a pre-tax disposal gain of approximately HK\$5,818,473.87 before costs and expenses in relation to the disposal of the Sale Equity Interest, which is the difference between the consideration of the Disposal and the unaudited carrying value of the Sale Equity Interest as at 30 September 2023.

The actual effect of the Disposal on the consolidated financial statements of the Group is subject to audit.

The Company intends to use the proceeds from the Disposal to repay loans and for the future development of the Group's core business.

VI. REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group are investment in and the development, operation and management of container and other ports, and the provision of port related logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading services, mainly conducted through its various ports. By disposing of the loss-making subsidiary, the Company will obtain funds to seek more development opportunities and expand the Group's core business. It will also enhance the Company's profitability.

LETTER FROM THE BOARD

As such, the Directors (other than the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) believe that the terms of the Equity Transfer Agreement and the Disposal (including the consideration) are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

VII. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Hubei Port Hanjiang is a subsidiary, and thus an associate, of Hubei Port, the controlling shareholder of the Company holding approximately 74.98% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, Hubei Port Hanjiang is a connected person of the Company, and as the highest applicable percentage ratio in respect of the Disposal exceeds 5% and the total consideration of the Disposal is more than HK\$10,000,000, the Disposal constitutes a connected transaction of the Company which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

VIII. ABSTENTION FROM VOTING ON BOARD RESOLUTIONS AND AT THE EGM

As Ms. Zhouwei, an executive Director, is a director of Hubei Port (Hong Kong) International Limited, the controlling shareholder of the Company and the indirect wholly-owned subsidiary of Hubei Port. She is regarded as being interested in the Equity Transfer Agreement and therefore has abstained from voting on the Board resolutions to approve the Equity Transfer Agreement. Save and except for the aforesaid, none of the Directors has any material interest in the Equity Transfer Agreement and was required to abstain from voting on the Board resolutions in relation to the Equity Transfer Agreement.

In view of Hubei Port's interest in the Equity Transfer Agreement, Hubei Port, the controlling shareholder of the Company which holds approximately 74.98% equity interest in the Company, and its associates will abstain from voting at the EGM on the resolution in relation to the Equity Transfer Agreement.

IX. EGM

The Company proposes to convene the EGM at 10:00 a.m. on 19 January 2024 (Friday) at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, PRC.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

X. RECOMMENDATION

The Company has appointed Rainbow Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. The letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 26 of this circular. The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, is set out on page 10 of this circular.

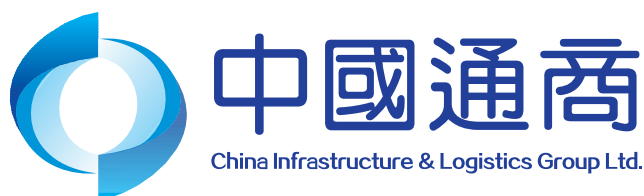
The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

XI. CLOSURE OF REGISTER OF MEMBERS

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 16 January 2024 (Tuesday) to 19 January 2024 (Friday) (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 15 January 2024 (Monday).

Yours faithfully,
By order of the Board
China Infrastructure & Logistics Group Ltd.
Ms. Zhou Wei
Executive Director and Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

29 December 2023

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF A SUBSIDIARY**

We have been appointed as members of the Independent Board Committee to give our advice on the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 29 December 2023 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Rainbow Capital has been appointed as the Independent Financial Adviser to advise us on the Equity Transfer Agreement and the transactions contemplated thereunder. The letter from Rainbow Capital is set out on pages 11 to 26 of the Circular.

Having considered the terms and conditions of the Equity Transfer Agreement, the advice given by Rainbow Capital and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

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 RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.



RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

Rainbow Capital (HK) Limited

29 December 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,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, 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 to the Shareholders dated 29 December 2023 (the “**Circular**”), of which this letter forms a part of. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 November 2023, Wuhan Zhongji, Hubei Port Hanjiang and Zhongxiang City Zhongji entered into the Equity Transfer Agreement, pursuant to which Wuhan Zhongji conditionally agreed to sell, and Hubei Port Hanjiang conditionally agreed to purchase, the Sale Equity Interest, representing 60% equity interest in Zhongxiang City Zhongji, for a consideration of RMB69,576,900 (the “**Consideration**”) in cash. Upon completion of the Equity Transfer Agreement, Zhongxiang City Zhongji will be owned as to 60% by Hubei Port Hanjiang and 40% by Zhongxiang City Transport Investment and Zhongxiang City Zhongji will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the financial statements of the Group.

LETTER FROM RAINBOW CAPITAL

As the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Hubei Port Hanjiang is a subsidiary, and thus an associate, of Hubei Port, the controlling Shareholder of the Company holding approximately 74.98% of the entire issued share capital of the Company. Accordingly, Hubei Port Hanjiang is a connected person of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Disposal exceeds 5% and the Consideration is more than HK\$10,000,000, the Disposal constitutes a connected transaction of the Company which is subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Hubei Port is considered to have a material interest in the Equity Transfer Agreement, Hubei Port and its associates will be required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Equity Transfer Agreement and transactions contemplated thereunder. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, none of other Shareholders shall abstain from voting at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua, has been formed to advise the Independent Shareholders on (i) whether the entering into of the Equity Transfer Agreement is conducted in the ordinary and usual course of the Group; and (ii) whether the terms of the Equity Transfer Agreement 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, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Wuhan Zhongji, Hubei Port Hanjiang, Zhongxiang City Zhongji or 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 (i) the unconditional mandatory cash offer by China International Capital Corporation Hong Kong Securities Limited for and on behalf of Hubei Port (Hong Kong) International Limited to acquire all the issued Shares of the Company, details of which are set out in the composite document of the Company dated 4 March 2022; and (ii) the renewal of continuing connected transactions in relation to the 2023 comprehensive port logistics services framework agreements, details of which are set out in the circular of the Company dated 9 June 2023. Other than that, there was no engagement or connection between the Group, Wuhan Zhongji, Hubei Port Hanjiang, Zhongxiang City Zhongji 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 other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Disposal. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Disposal.

LETTER FROM RAINBOW CAPITAL

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; (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 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 and corroborated and substantiated any public information referred to in this letter 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, Zhongxiang City Zhongji or any of their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Information on 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.

LETTER FROM RAINBOW CAPITAL

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 December 2022 (“**FY2021**” and “**FY2022**”, respectively) as extracted from the Company’s annual report for FY2022; and (ii) the six months ended 30 June 2022 and 2023 (“**6M2022**” and “**6M2023**”, respectively) as extracted from the Company’s interim report for 6M2023 (the “**2023 Interim Report**”):

(i) **Financial performance**

	FY2021	FY2022	6M2022	6M2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Continuing operations				
Revenue	247,671	319,535	129,924	186,813
– Terminal service	81,085	101,697	55,677	54,396
– Integrated logistics service	42,177	61,067	29,241	25,137
– Property business	14,963	8,901	4,575	5,308
– Container handling, storage & other service	22,626	25,384	11,411	19,055
– General and bulk cargoes handling service	18,685	5,171	3,727	1,475
– Supply chain management and trading business	68,135	117,315	25,293	81,442
Gross profit	54,323	85,371	48,160	43,718
Other income	30,025	6,201	5,817	2,816
Change in fair value of investment properties	72,799	25,785	28,841	(6,893)
General and administrative expenses	(75,484)	(32,550)	(17,918)	(15,897)
Other operating expenses	(28,858)	(30,441)	(17,305)	(14,789)
Finance costs – net	(23,869)	(19,833)	(14,494)	(8,064)
Loss on disposal of subsidiaries	(5,988)	–	–	–
Share of profit/(loss) of associates	139	(796)	(817)	(631)
Profit before income tax	23,087	33,737	32,284	260
Income tax (expense)/credit	(4,297)	(12,824)	(9,532)	1,220
Profit for the year/period	18,790	20,913	22,752	1,480
Profit attributable to the Shareholders	21,650	20,775	23,641	1,169

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FY2022 compared to FY2021

Revenue of the Group increased by approximately 29.0% from approximately HK\$247.7 million for FY2021 to approximately HK\$319.5 million for FY2022. Such increase was primarily attributable to (a) the increase in revenue from terminal service by approximately 25.4% mainly due to the increase in container throughput handled by the WIT Port 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; (b) the increase in revenue from integrated logistics service by approximately 44.8% mainly due to the increase in business volume from the WIT Port; and (c) the significant increase in revenue from the supply chain management and trading business by approximately 72.2% mainly due to the commencement of the rice and broken rice trading business since September 2022.

In line with the increase in revenue, especially the increase in the revenue from terminal service with relatively higher gross profit margin, gross profit of the Group increased by approximately 57.2% from approximately HK\$54.3 million for FY2021 to approximately HK\$85.4 million for FY2022.

The Group's profit attributable to the Shareholders amounted to approximately HK\$20.8 million for FY2022, representing a decrease of approximately 4.0% from approximately HK\$21.7 million for FY2021, primarily attributable to (a) the decrease in other income by approximately HK\$23.8 million mainly due to the decrease in government subsidies granted to certain subsidiaries of the Group; (b) the decrease in fair value gain of investment properties by approximately HK\$47.0 million mainly due to the decrease in the magnitude of rental growth of the warehouse properties in Wuhan for FY2022; and (c) the increase in income tax expense by approximately HK\$8.5 million mainly due to the increase in taxable profit of certain subsidiaries. Such decrease was partially offset by (a) the increase in revenue and gross profit as mentioned above; (b) the decrease in general and administrative expenses by approximately HK\$42.9 million mainly due to the optimising staff structure and tightening expenses control for FY2022; and (c) the loss of disposal of subsidiaries of approximately HK\$6.0 million in FY2021 which was non-recurring in FY2022.

6M2023 compared to 6M2022

Revenue of the Group increased by approximately 43.8% from approximately HK\$129.9 million for 6M2022 to approximately HK\$186.8 million for 6M2023. Such increase was primarily attributable to (a) the significant increase in revenue from supply chain management and trading business by approximately 222.0% mainly due to the commencement of the rice and broken rice trading business since September 2022 and the robust market demand for corn for 6M2023; and (b) the increase in revenue from container handling, storage & other service by approximately 67.0% from the WIT Port.

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Despite the increase in revenue during the period, gross profit of the Group decreased by approximately 9.2% from approximately HK\$48.2 million for 6M2022 to approximately HK\$43.7 million for 6M2023 as a result of the decrease in the Group's gross profit margin from approximately 37.1% for 6M2022 to approximately 23.4% for 6M2023. The decrease in gross profit margin was mainly due to the significant increase in revenue from the supply chain management and trading business with relatively lower gross profit margins and the decrease in revenue from terminal service with relatively higher gross profit margins.

The Group's profit attributable to the Shareholders amounted to approximately HK\$1.2 million for 6M2023, representing a decrease of approximately 95.1% from approximately HK\$23.6 million for 6M2022. The decrease was primarily attributable to (a) the decrease in gross profit as mentioned above; (b) the decrease in other income by approximately HK\$3.0 million mainly due to the decrease in government subsidies granted to certain subsidiaries of the Group; and (c) the fair value loss of investment properties of approximately HK\$6.9 million, mainly due to the decrease in market rent of the warehouse properties in the logistics centre adjacent to the Shayang Port. Such decrease was partially offset by (a) the decrease in net finance costs by approximately HK\$6.4 million mainly due to the Group's repayment of bank borrowings with higher interest rates for 6M2023; and (b) the turnaround from income tax expense of approximately HK\$9.5 million for 6M2022 to income tax credit of approximately HK\$1.2 million for 6M2023 mainly due to the decrease in taxable profit of certain subsidiaries of the Group and the deferred tax assets arising from the fair value loss on investment properties and the increase in expected credit loss of receivables.

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(ii) *Financial position*

	As at 31 December		As at
	2021	2022	30 June
	HK\$'000	HK\$'000	2023
	(audited)	(audited)	(unaudited)
Non-current assets, including:	1,533,875	1,395,489	1,328,669
Investment properties	895,932	851,229	806,976
Property, plant and equipment	568,514	495,420	472,304
Current assets, including:	150,082	200,515	212,524
Trade and other receivables	97,782	99,996	113,750
Cash and cash equivalents	31,127	86,298	61,705
Total assets	1,683,957	1,596,004	1,541,193
Current liabilities, including:	442,911	439,597	428,790
Trade and other payables	175,784	149,561	157,694
Bank borrowings	103,935	154,098	149,072
Loans from ultimate holding company	–	113,555	112,380
Net current liabilities	(292,829)	(239,082)	(216,266)
Non-current liabilities, including:	291,871	274,841	271,376
Bank borrowings	124,722	152,640	144,806
Deferred tax liabilities	115,637	112,203	105,454
Total liabilities	734,782	714,438	700,166
Equity attributable to the Shareholders	829,939	776,544	740,120

As at 30 June 2023, total assets of the Group amounted to approximately HK\$1,541.2 million, which mainly consisted of (a) investment properties of approximately HK\$807.0 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; (b) property, plant and equipment of approximately HK\$472.3 million; (c) trade and other receivables of approximately HK\$113.8 million; and (d) cash and cash equivalents of approximately HK\$61.7 million.

As at 30 June 2023, total liabilities of the Group amounted to approximately HK\$700.2 million, which mainly consisted of (a) bank borrowings of approximately HK\$293.9 million; (b) trade and other payables of approximately HK\$157.7 million; (c) loans from ultimate

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holding company of approximately HK\$112.4 million, which were unsecured, interest bearing at 3.85% per annum and repayable within one year; and (d) deferred tax liabilities of approximately HK\$105.5 million.

As at 30 June 2023, the Group had net current liabilities of approximately HK\$216.3 million and equity attributable to the Shareholders of approximately HK\$740.1 million.

2. Information on Hubei Port Hanjiang

Hubei Port Hanjiang, a subsidiary of Hubei Port, is a limited liability company established in the PRC. It is principally engaged in port operation, sale of coal and related products, general cargo warehousing service and non-vessel operating common carrier service.

3. Information on Zhongxiang City Zhongji

Zhongxiang City Zhongji, a company owned as to 60% by the Company and 40% by Zhongxiang City Transport Investment (a state-owned enterprise in the PRC) as at the Latest Practicable Date, is a limited liability company established in the PRC with a registered capital of RMB100,000,000. It is principally engaged in investment, construction, development, operation and management of transportation infrastructure, construction and development of container terminal, loading and unloading, transshipment, storage and custody, loading and unpacking, cleaning and maintenance of containers, loading, unloading, transshipment, storage and custody of other goods, bonded warehousing and logistics, road transportation, international and domestic cargo transportation agency, business related to container and other cargo loading and unloading transportation and operation of freight stations, house leasing and property services.

Set out below is the summary of the audited consolidated financial information of Zhongxiang City Zhongji for FY2021 and FY2022 which are prepared in accordance with China Accounting Standards for Business Enterprises:

	FY2021	FY2022
	<i>HK\$</i>	<i>HK\$</i>
	<i>(audited)</i>	<i>(audited)</i>
Net loss before taxation	(1,527,963.4)	(4,641,138.9)
Net profit/(loss) after taxation	4,965,842.12	(3,753,641.53)

As advised by the management of the Group, Zhongxiang City Zhongji recorded income tax credit of approximately HK\$6.5 million mainly due to the overprovision of income tax expense in prior year. Based on the management account of Zhongxiang City Zhongji, Zhongxiang City Zhongji is expected to record loss for the year ending 31 December 2023. As at 30 September 2023, the audited total assets and net asset value of Zhongxiang City Zhongji amounted to approximately RMB112.6 million and RMB95.8 million, respectively.

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4. Reasons for and benefits of the Disposal

As disclosed in the Letter from the Board, by disposing of the loss-making subsidiary (i.e. Zhongxiang City Zhongji), the Company will obtain funds to seek more development opportunities and expand the Group's core business. It will also enhance the Company's profitability.

As discussed on the section headed "1. Information on the Group" above, the Group has been facing heavy interest burden from bank borrowings and loans from ultimate holding company. As evidenced by the decreasing profit attributable to the Shareholders for FY2021, FY2022 and 6M2023 and the net current liabilities position as at 30 June 2023, the Group's financial performance was not entirely satisfactory. In order to achieve steady business growth and to gradually reduce the Group's leverage level, the Board intends to dispose the non-core loss-making business and use the proceeds to repay certain loans to alleviate the burden of the Group's financial costs. The Disposal will significantly reduce future interest expenses of the Group and strengthen its financial position.

As disclosed in the 2023 Interim Report, as the PRC government implements the 14th Five-Year Plan, various economic policies which stabilises the economy and induces different sectors will gradually be in place, it is expected that, upon of effective and continuous release of various trade agreements, the domestic import and export trade flow will be improved effectively, providing new opportunities for ports. The Group will integrate deeply with the "Belt and Road" and the rise of middle of the Yangtze River Economic Belt and strive to establish an integrated port system with better service quality, stronger market expansion and higher added value. In view of the historical loss-making performance of Zhongxiang City Zhongji, the Disposal will enable the Group to realise its investment in Zhongxiang City Zhongji, allow the Group to better reallocate its financial and other resources to its core businesses and improve the Group's profitability, which will ultimately contribute to the long-term success of the Group and create maximum value for the Shareholders. With reference to the Letter from the Board, following the completion of the Disposal, it is estimated that the Company will realise a pre-tax disposal gain of approximately HK\$5.8 million before costs and expenses in relation to the disposal of the Sale Equity Interest.

Taking into account that (i) the Disposal allows the Group to reduce its debt and interest burden and strengthen its financial position; (ii) the Disposal represents an opportunity for the Group to focus on its principal business and concentrate resources to enhance its competitiveness in the fields of port business and contribute to the long-term success of the Group; (iii) the loss-making performance of Zhongxiang City Zhongji; and (iv) the Disposal will not have any material adverse impact of the Company's ability to maintain its business at a viable and sustainable level, we consider that the Disposal, although is not in the ordinary and usual course of business of the Group, is fair and reasonable and in the interest of the Company and Shareholders as a whole.

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5. Principal terms of the Equity Transfer Agreement

Set out below is a summary of the principal terms of the Equity Transfer Agreement. Independent Shareholders are advised to read further details of the Equity Transfer Agreement as disclosed in the Letter from the Board:

- Date : 24 November 2023
- Parties : (i) Wuhan Zhongji (as vendor);
- (ii) Hubei Port Hanjiang (as purchaser); and
- (iii) Zhongxiang City Zhongji (as target company)
- Subject matter : Subject to the terms and conditions under the Equity Transfer Agreement, Wuhan Zhongji conditionally agreed to sell, and Hubei Port Hanjiang conditionally agreed to purchase, the Sale Equity Interest, representing 60% equity interest in Zhongxiang City Zhongji.
- Consideration and payment terms : The Consideration is RMB69,576,900, which shall be paid by Hubei Port Hanjiang to Wuhan Zhongji in cash in the following manner:
- (i) RMB3,478,845, being 5% of the Consideration, shall be paid by Hubei Port Hanjiang to Wuhan Zhongji within 30 working days after the Equity Transfer Agreement becoming effective; and
- (ii) RMB66,098,055, being the remaining Consideration, shall be paid by Hubei Port Hanjiang to Wuhan Zhongji within 5 days after the registration of change of shareholding of the Sale Equity Interest having been completed.

The Consideration was determined after arm's length negotiations between Wuhan Zhongji and Hubei Port Hanjiang on normal commercial terms and with reference to the appraised equity value of Zhongxiang City Zhongji as of 30 September 2023 in the amount of RMB115,961,500.

The appraised equity value of Zhongxiang City Zhongji as of 30 September 2023 in the amount of RMB115,961,500 was arrived at according to the Asset Valuation Report issued by the Asset Valuer, using the asset-based approach.

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Effective date : The Equity Transfer Agreement shall take effect upon affixing of the company seals by the parties thereto and obtaining all relevant approvals.

Conditions precedent : Completion of the Equity Transfer Agreement is conditional upon the approval of the transactions contemplated under the Equity Transfer Agreement by the Independent Shareholders at the EGM in accordance with the Listing Rules and the approval of the shareholder of Hubei Port Hanjiang.

As at the Latest Practicable Date, the above conditions have not been satisfied.

Completion : The registration in relation to the change of shareholder of Zhongxiang City Zhongji with the relevant authority under the State Administration for Industry and Commerce shall be completed within 10 days after the Equity Transfer Agreement takes effect and the issuance of the relevant approval document.

6. Valuation of Zhongxiang City Zhongji

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between Wuhan Zhongji and Hubei Port Hanjiang with reference to the valuation of 100% equity interest of Zhongxiang City Zhongji of RMB115,961,500 (the "Valuation") as at 30 September 2023 as appraised by the Asset Valuer adopting the asset-based approach. The full text of the Asset Valuation Report and certificate dated 24 November 2023 is set out in Appendix I to the Circular, and the Independent Shareholders are recommended to read in full.

In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors:

(i) *The qualification and scope of work of the Asset Valuer*

We have conducted an interview with the Asset Valuer to enquire to their qualification and experience in valuing similar companies in the PRC and their independence. In our review of the engagement letter between the Company and the Asset Valuer and other relevant information provided by the Asset Valuer, we noted that the Asset Valuer is qualified asset appraisal firm to perform valuation works in the PRC and is authorised by the Ministry of Finance of the PRC and China Securities Regulatory Commission, and the responsible person of the Asset Valuer has years of experience in conducting valuation and possesses sufficient qualifications and experience in similar assets in the PRC. We have also enquired with the Asset Valuer as to their independence from the Group, Wuhan Zhongji, Hubei Port Hanjiang, Zhongxiang City Zhongji and Hubei Port, and were given to understand that the Asset Valuer is independent of the Group, Wuhan Zhongji, Hubei Port Hanjiang, Zhongxiang City Zhongji and Hubei Port. The Asset Valuer confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Asset Valuer, no arrangements

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exist whereby they will receive any fees or benefits from the Group, Wuhan Zhongji, Hubei Port Hanjiang, Zhongxiang City Zhongji and Hubei Port. We have also reviewed the terms of engagement of the Asset Valuer, in particular to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Asset Valuer in the Asset Valuation Report. We have also performed work as required under note (1)(d) to Rule 13.80 of the Listing Rule in relation to the Asset Valuer and its work as regards the Valuation. Based on our discussion with the Asset Valuer, we understand that the Asset Valuation Report has been prepared in compliance with the relevant PRC regulatory requirements and professional standards. Based on the above, we are satisfied with the terms of engagement of the Asset Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Asset Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

(ii) ***Valuation methodologies***

We have reviewed and discussed with the Asset Valuer the methodologies, bases and assumptions adopted in arriving at the Valuation. We also understood that the Asset Valuer has carried out physical inspections and made relevant enquiries for the purpose of valuing Zhongxiang City Zhongji. As stated in the Asset Valuation Report, the Asset Valuer has considered three generally accepted approaches, namely, market approach, income approach and asset-based approach and adopted the asset-based approach in the Valuation due to the following considerations:

- (a) the selection of the valuation approach in valuing Zhongxiang City Zhongji is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the business nature, financial performance and financial position of Zhongxiang City Zhongji, professional judgment and technical expertise;
- (b) income approach is not considered because it requires significant level of unobservable and subjective assumptions to be made to arrive at, among others, detailed operational information and long-term financial projections, to which the valuation is highly dependent on the financial projection of Zhongxiang City Zhongji prepared by the management of the Group;
- (c) market approach is not considered because there were insufficient listed companies or transactions of equity transfer of companies with scale of assets, asset structure, business model, scope of operation and profitability comparable to Zhongxiang City Zhongji; and
- (d) asset-based approach uses the balance sheet as at the valuation benchmark date of the appraised entity as the basis for determining the value of the appraisal subject by reasonably appraising the fair value of each of the identifiable assets and liabilities of the subject. It estimates each asset and liability of an enterprise from the perspective of

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the current reconstruction of its assets and liabilities, and summarise them to obtain the value of the shareholders' equity. As Zhongxiang City Zhongji satisfied the requirements of the asset-based approach, the asset-based approach could relatively fairly reflect the value of all shareholders' equity value of Zhongxiang City Zhongji on the valuation benchmark date.

Based on the factors above, we concur with the Asset Valuer that it is fair and reasonable to adopt the asset-based approach in arriving at the market value of Zhongxiang City Zhongji.

(iii) Factors considered in valuing Zhongxiang City Zhongji

Pursuant to the Asset Valuation Report, we note that the market value of Zhongxiang City Zhongji of approximately RMB116.0 million based on the asset-based approach represented an appreciation of approximately RMB20.2 million or 21.1% over the net asset value of Zhongxiang City Zhongji as at 30 September 2023. Such appreciated value is mainly attributable to appreciation on the fixed assets, including structures (構築物) and equipment assets, which appreciated by approximately RMB19.7 million and RMB0.5 million over their respective net book values.

In respect of the valuation of structures, mainly terminal platform (including approach bridges), temporary stacking yard and supporting facilities, the Asset Valuer has taken into account the cost of replacement and the comprehensive newness rate of the subject assets. In assessing the reasonableness of the valuation of structures, we have discussed with the Asset Valuer and reviewed the underlying detailed working documents and calculation spreadsheets and noted that the factors considered in estimating the cost of replacement of structures include the comprehensive cost of construction and installation, upfront and other expenses of the project and capital cost. We have reviewed the engineering budgets prepared by two professional registered class 1 cost engineers in the PRC which listed out the detailed breakdowns of the comprehensive cost of construction and installation and included, among others, the costs of construction materials and the salary of workers as at the valuation benchmark date and the costs of transportation and installation. Such comprehensive construction costs of structures were estimated primarily based on the as-built plan, other relevant information and the on-site inspection performed by the Asset Valuer. In respect of the upfront and other expenses of the project, it mainly included project monitoring fee, survey and design fee, construction unit management fee, bidding agency fee, feasibility study fee and environmental impact assessment fee which were estimated with reference to the local or industrial pricing standards. In this regard, we have reviewed the Notice on Printing and Distributing the Regulations on Construction Cost Management of Capital Construction Projects (Cai Jian [2016] No. 504) (關於印發《基本建設項目建設成本管理規定》的通知(財建[2016]504號)) of the Ministry of Finance of the PRC. Based on our review, we noted that the rate adopted by the Asset Valuer is consistent with the guidance rate stipulated in this notice. In respect of the capital cost, it was calculated based on the loan interest rate on the valuation benchmark date and the reasonable construction period of the building. The loan interest rate adopted by the Asset Valuer is made with reference to the loan prime rate published by The People's Bank of China during the same period. On the other hand, the comprehensive newness rate of the subject assets was estimated based on, among others, the

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expected service life, serviced life and the condition of the structures held by Zhongxiang City Zhongji such as carrying capacity, strength of main body and maintenance of top layer. Based on our independent market research on the expected service life of these structures on public domain, we noted that the expected service life adopted by the Asset Valuer is consistent with the market consensus which is in the range of 30 years to 50 years. .

In respect of the valuation of equipment assets, the Asset Valuer has taken into account the cost of replacement and the comprehensive newness rate of the subject assets. Factors considered in estimating the cost of replacement of equipment include, among others, the market purchase price of equipment as at the benchmark valuation date, costs of transportation and installation, upfront and other expenses, the local or industrial pricing standards and financing costs with reference to loan prime rate. On the other hand, the comprehensive newness rate of the subject assets was estimated based on, among others, the expected service life, serviced life and the condition of the equipment held by Zhongxiang City Zhongji.

For other assets and liabilities items of Zhongxiang City Zhongji, we have checked the appraised values of the respective items pursuant to the Asset Valuation Report against the net book values pursuant to the audited report of Zhongxiang City Zhongji as at 30 September 2023 and noted that there were no material differences.

Based on our assessment and work done on the Valuation as mentioned above, we note that the assets and liabilities of Zhongxiang City Zhongji are stated in their fair values under the Valuation and we have not identified any major findings which caused us to doubt the fairness and reasonableness in arriving at the Valuation. Having considered (i) the independence, qualification and experience of the Asset Valuer; and (ii) that the selection and application of the valuation methodology are reasonably prepared, we are of the view that the Valuation was carried out on a fair and reasonable basis by the Asset Valuer.

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Set out below is a summary of the appraised book values of Zhongxiang City Zhongji as at 30 September 2023, as extracted from the Asset Valuation Report:

	Appraised value RMB'000
Current assets	3,243.3
Non-current assets, including:	129,503.6
– Fixed assets	124,381.1
Current liabilities	16,784.2
Non-current liabilities	1.2
Net assets	115,961.5

The Consideration

The Valuation of 100% equity interest of Zhongxiang City Zhongji	115,961.5 (A)
The basis for calculating the Consideration	115,961.5 (B)
The Sale Equity Interest (60% of the total number of issued shares of Zhongxiang City Zhongji)	60% (C)
The Consideration	69,576.9 (B*C)
Discount to the Valuation	0.0% (B/A-1)

In assessing the fairness of the Consideration, we have discussed with the management of the Group and understood that as illustrated in the table above, the Consideration of approximately RMB69.6 million is determined by reference to the Valuation of 100% equity interest of Zhongxiang City Zhongji of approximately RMB116.0 million. As the Sale Equity Interest, being 60% of equity interest of Zhongxiang City Zhongji would be valued at approximately RMB69.6 million, the Consideration of approximately RMB69.6 million is equivalent to the Valuation after taking into account the 60% of the equity interest in Zhongxiang City Zhongji to be disposed of under the Disposal.

As such, having considered that (i) the Asset Valuation Report has been reasonably prepared; (ii) the Consideration is determined by reference to the Valuation and is equivalent to the Valuation after taking into account the 60% of the equity interest in Zhongxiang City Zhongji to be disposed of under the Disposal; and (iii) the reasons for and benefits of the Disposal as discussed in the section headed “4. Reasons for and benefits of the Disposal” above, we are of the view that the Consideration is fair and reasonable.

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7. Financial effect of the Disposal

Upon completion of the Equity Transfer Agreement, Zhongxiang City Zhongji will be owned as to 60% by Hubei Port Hanjiang and 40% by Zhongxiang City Transport Investment and Zhongxiang City Zhongji will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the financial statements of the Group.

As disclosed in the Letter from the Board, it is estimated that, upon completion of the Disposal, the Company will recognise a pre-tax disposal gain of approximately HK\$5.8 million before costs and expenses in relation to the disposal of the Sale Equity Interest, being the difference between (i) the Consideration; and (ii) the unaudited carrying value of the Sale Equity Interest as at 30 September 2023. The actual effect of the Disposal on the consolidated financial statements is subject to the audit by the Company's auditor.

In addition, the Group is expected to receive the aggregate amount of approximately RMB69.6 million as a result of the Disposal. The Group intends to use the proceeds from the Disposal to repay loans and for the future development of the Group's core business.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Equity Transfer Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that, although the entering into of the Equity Transfer Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement 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.

The following is the English translation of the asset valuation report dated 24 November 2023 and prepared for the purpose of incorporation in this circular received from Beijing Renda Real Estate and Land Assets Appraisal Co., Ltd. (北京仁達房地產土地資產評估有限公司), an independent certified PRC valuer, in connection with its valuation of the 100% equity interest in Zhongxiang City Zhongji as at 30 September 2023.*

**The asset valuation report is prepared in accordance
with the Asset Valuation Standards of the PRC**

**ASSET VALUATION REPORT
ON THE VALUE OF THE ENTIRE EQUITY INTERESTS HELD BY
SHAREHOLDERS OF ZHONGXIANG CITY ZHONGJI PORT
DEVELOPMENT CO., LTD. INVOLVED IN THE PROPOSED TRANSFER
OF EQUITY BY WUHAN ZHONGJI TONGYONG PORT
DEVELOPMENT CO., LTD.**

Ren Da Ping Bao Zi [2023] No. 130167

Beijing Renda Real Estate and Land Assets Appraisal Co., Ltd.*

(北京仁達房地產土地資產評估有限公司)

24 November 2023

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DISCLAIMER

- I. This asset valuation report is prepared in accordance with the Basic Standard for Assets Valuation issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Standard for Work Ethic of Assets Valuation issued by the China Appraisal Society.
- II. The client or other users of the asset valuation report shall use the asset valuation report in accordance with the laws, administrative regulations and the scope of use specified in this asset valuation report. If the client or other users of the asset valuation report use the asset valuation report in violation of the aforementioned provisions, the asset valuation institution and asset appraisers shall not bear any responsibilities.
- III. This asset valuation report shall be used solely by the client, other users of the asset valuation report as agreed upon in the asset valuation entrustment contract, and users of asset valuation report specified in laws and administrative regulations. In addition, no other institution or individual can be the user of the asset valuation report.
- IV. The asset valuation institution and asset appraisers remind the asset valuation report users to correctly understand the valuation conclusion, which is not equivalent to the realizable price of the valuation target, and the valuation conclusion should not be considered as a guarantee for the realizable price of the valuation target.
- V. The asset valuation institution and asset appraisers comply with the laws, administrative regulations and asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and assume the responsibility for the issued asset valuation report in accordance with the laws.
- VI. The list of assets and liabilities involved in the valuation target is reported by the client and relevant parties and confirmed with their signatures and seals or otherwise as permitted by law; the client and relevant parties shall be responsible for the authenticity, legality and completeness of the information provided by them in accordance with the law; the client and the relevant parties shall be liable for the legal consequences caused by the false or untrue legal ownership information, financial and accounting information or other relevant materials provided by the client and the relevant parties, and the failure of the asset valuation professionals to discover them in the performance of normal valuation procedures.
- VII. The asset valuation institution and the asset appraisers have no existing or expected interest relationship with the valuation target in the asset valuation report. There is no existing or expected interest relationship with the relevant parties, and there is no prejudice against the relevant parties.

- VIII. The asset appraisers have conducted on-site investigations on the valuation target and its assets involved in the asset valuation report. Necessary attention has been paid to the legal ownership of the valuation target and its assets involved, and the legal ownership of the valuation target and its assets involved was inspected, the problems that had been discovered were truthfully disclosed. The purpose of the asset valuation is to estimate the value of the asset valuation target and thereby express professional opinions, and it is beyond the working scope of asset valuation professionals to confirm or express an opinion on the legal ownership of the asset valuation target. The asset valuation professionals shall not provide guarantees for the legal ownership of the asset valuation target.
- IX. The analysis, judgement and results of the asset valuation report issued by the asset valuation institution shall be limited by the assumptions and restrictions stipulated in the asset valuation report, and the asset valuation report users shall give due consideration to the assumptions, restrictions, notes on special matters and their impact on the valuation conclusion stated in the asset valuation report.

**SUMMARY OF ASSET VALUATION REPORT
ON THE VALUE OF THE ENTIRE EQUITY INTERESTS HELD BY
SHAREHOLDERS OF ZHONGXIANG CITY ZHONGJI PORT
DEVELOPMENT CO., LTD. INVOLVED IN THE PROPOSED TRANSFER
OF EQUITY BY WUHAN ZHONGJI TONGYONG PORT
DEVELOPMENT CO., LTD.**

Ren Da Ping Bao Zi [2023] No. 130167

Beijing Renda Real Estate and Assets Appraisal Co., Ltd. was entrusted by China Infrastructure & Logistics Group Ltd. to perform necessary procedures in accordance with the provisions of relevant laws, administrative regulations and asset valuation standards with the principle of being independent, objective and fair in the valuation of the market value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. (鐘祥市中基港口發展有限公司) on 30 September 2023 involved in the proposed transfer of equity by Wuhan Zhongji Tongyong Port Development Co., Ltd. The asset-based method was applied in this valuation. Details of the asset valuation are reported as follows:

- I. Valuation Purpose: According to the *Minutes of the Meeting of Hubei Port Group Company Limited* (《湖北港口集團有限公司會議紀要》) ([2023] No. 21) and the *Documents of the Meeting of the General Manager's Office of Hubei Port Group Company Limited* (《湖北港口集團有限公司總經理辦公會會議檔》) ([2023] No. 33), Wuhan Zhongji Tongyong Port Development Co., Ltd. proposed to transfer the equity interest. For this purpose, it was necessary to value the market value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. on the valuation benchmark date (being 30 September 2023) involved in the economic behavior, so as to provide a value reference for the aforesaid economic behavior.
- II. Valuation Target: Value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. as at the valuation benchmark date (being 30 September 2023).
- III. Valuation Scope: All assets and liabilities of Zhongxiang City Zhongji Port Development Co., Ltd. on the valuation benchmark date.
- IV. Value Type: Market value.
- V. Valuation Benchmark Date: 30 September 2023.
- VI. Valuation Method: Asset-based method.

VII. Valuation Conclusion:

The appraised value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. was RMB115.9615 million (one hundred and fifteen million nine hundred and sixty-one thousand five hundred in Renminbi in words). Details are as follows:

On the valuation benchmark date, Zhongxiang City Zhongji Port Development Co., Ltd. showed that the book value of total assets was RMB112.5759 million, and the appraised value of which was RMB132.7469 million, with appraised incremental value of RMB20.1710 million or 17.92%; the book value of the total liabilities was RMB16.7854 million, and the appraised value of which was RMB16.7854 million, with no increase or decrease in value; the book value of the owners' equity was RMB95.7905 million, and the appraised value of which was RMB115.9615 million, with appraised incremental value of RMB20.1710 million or 21.06%. The summary of the valuation with asset-based method is detailed in the following table:

Summary of Asset Valuation Results

Unit: RMB ten thousand

Item	Book value	Appraised value	Increase or decrease in value	Appreciation rate (%)
Current assets	324.33	324.33		
Non-current assets	10,933.26	12,950.36	2,017.10	18.45
Of which: Fixed assets	10,420.72	12,438.11	2,017.39	19.36
Construction in progress	184.19	183.90	-0.29	-0.16
Right-of-use assets	1.15	1.15		
Long-term deferred expenses	37.91	37.91		
Deferred income tax assets	289.29	289.29		
Total assets	11,257.59	13,274.69	2,017.10	17.92
Current liabilities	1,678.42	1,678.42		
Non-current liabilities	0.12	0.12		
Total liabilities	1,678.54	1,678.54		
Owners' equity	9,579.05	11,596.15	2,017.10	21.06

VIII. Notes on Special Matters:

- (I) This asset valuation report has not taken into account the premiums or discounts that may arise due to the possession or lack of control, nor has it considered the impact of liquidity on the value of the valuation target.
- (II) The impact of income tax on the valuation conclusion that may be involved in the increase or decrease in the value of non-current assets as appraised has not been considered in the valuation with the application of asset-based method.
- (III) The valuation conclusion presents the value of the shareholders' total interests in the appraised entity. The value of the shareholders' partial interests does not necessarily equal to the value of the shareholders' total interests multiplied by shareholding proportion. Specifically, users of the report shall take into consideration of the effects of premiums or discounts brought about by factors that may exist including controlling stake and minority holding on the basis of the valuation conclusion when quoting the conclusion of this valuation report as a reference to controlling stake or minority equity transaction.
- (IV) The book value of the flood control and slope protection project under the construction in progress included in the valuation scope is a provisional estimated cost, and the project has not been completed and settled as of the valuation benchmark date. As the appraised entity has not provided the specific engineering quantity data of the project, the provisional cost of the book value is presented in this valuation.
- (V) Ownership information is incomplete or defective:
1. As of the valuation benchmark date, Zhongxiang City Zhongji Port Development Co., Ltd. has not yet obtained the port operation permit; therefore, users of the valuation report are reminded of the possible impact of this matter on the valuation conclusion.
 2. The approval of the shoreline is a precondition for the construction of the terminal. The 390-meter shoreline of Shipai Port (石牌港) was declared and approved by the original Shipai Port Construction Headquarters (石牌港建設指揮部) to the Ministry of Transport, and the property rights could not be transferred. No opinion has been expressed on the shoreline of the terminal in this valuation.
 3. The core asset of Zhongxiang City Zhongji Port Development Co., Ltd. is the dock platform acquired through asset transfer and not self-built. Only the as-built drawings of the project have been provided in this valuation. In addition, the land occupied by Zhongxiang Port has no property right certificate. According to the statement issued and sealed by Zhongxiang City Zhongji Port Development Co., Ltd., on 15 March 2016, Zhongxiang Shipai Port (鐘祥石牌港) and Wuhan Dongfang Construction (武漢東方建設) signed the *Construction Contract of the Comprehensive Terminal Land Stacking Yard Supporting Project at Jingmen Zhongxiang Port* (《荊門市鐘祥港綜合碼頭陸域堆場配套工程施工承包合同》), pursuant to which Xie Bingmu, the then legal person of the company, decided to develop 70 mu of tidal flat outside the Hanjiang River

embankment as a temporary yard for the terminal. The 70 mu of tidal flat land was self-construction in nature and had no property rights. No opinion has been expressed on the land use right in this valuation, and users of this report are advised to pay attention.

(VI) Limitations of the valuation procedures, remedial measures taken by the valuation institution and the impact on the valuation conclusion:

1. In the valuation, the asset appraisers have not conducted any technical examination of the technical parameters and performance of the various equipment on the valuation benchmark date. The asset appraisers have made judgement based on on-site inspections and the assumption that the relevant technical information and operating records provided by the appraised entity are true and valid.
2. In the valuation, the asset appraisers have not conducted technical inspection to the concealed works and interior structures (which cannot be observed directly by eyes) of buildings and structures. After on-site investigation, the valuation conclusion of buildings and structures has been drawn without the assistance of measuring instruments but on the assumption that the relevant project information provided by the appraised entity is true and valid.

(VII) The client and the appraised entity provided the following audit report, as follows:

Institution name	Report name	Report code	Issue date	Audit opinion
Beijing Guofu Certified Public Accountants (Special General Partnership) Hubei Branch (北京國富會計師事務所(特殊普通合夥)湖北分所)	Special Audit Report on Assets, Liabilities and Owners' Equity of Zhongxiang City Zhongji Port Development Co., Ltd. on 30 September 2023 (鐘祥市中基港口發展有限公司2023年9月30日資產、負債及所有者權益專項審計報告)	Guo Fu E Zhuan Zi [2023] No. 42021002 Unqualified Opinion	6 November 2023	Unqualified opinion

The aforesaid audit report is one of the important valuation bases of this asset valuation report, and any distortion of the aforesaid report will affect the valuation conclusion.

This asset valuation report only provides a value reference for the economic behavior described in the asset valuation report. The validity period of the valuation conclusion is one year from the valuation benchmark date, that is, from 30 September 2023 to 29 September 2024.

Users of the asset valuation report shall fully consider and pay attention to the assumptions, restrictions, and notes on special matters and their impact on the valuation conclusion stated in the asset valuation report.

The above content is excerpted from the main text of the asset valuation report and should be read in conjunction with the main report to understand the details of this valuation project and correctly understand and use the valuation conclusion.

**ASSET VALUATION REPORT
ON THE VALUE OF THE ENTIRE EQUITY INTERESTS HELD BY
SHAREHOLDERS OF ZHONGXIANG CITY ZHONGJI PORT DEVELOPMENT
CO., LTD. INVOLVED IN THE PROPOSED TRANSFER OF EQUITY BY
WUHAN ZHONGJI TONGYONG PORT DEVELOPMENT CO., LTD.**

Ren Da Ping Bao Zi [2023] No. 130167

I. INTRODUCTION

To China Infrastructure & Logistics Group Ltd.:

Beijing Renda Real Estate and Assets Appraisal Co., Ltd. was entrusted by the Company to perform necessary procedures in accordance with the provisions of relevant laws, administrative regulations and asset valuation standards with the principle of being independent, objective and fair in the valuation of the market value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. (鐘祥市中基港口發展有限公司) on 30 September 2023 involved in the proposed transfer of equity by Wuhan Zhongji Tongyong Port Development Co., Ltd. The asset-based method was applied in this valuation. Details of the asset valuation are reported as follows:

II. CLIENT, APPRAISED ENTITY AND OTHER VALUATION REPORT USERS AS AGREED IN THE ASSET VALUATION ENTRUSTMENT CONTRACT

(I) Information of the Client

Name: China Infrastructure & Logistics Group Ltd.

Type: Registered Non-Hong Kong Company (Listed in Hong Kong)

Chairman: Zhou Wei

Registered capital: HK\$200,000,000

Date of establishment: 10 June 2004

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

(II) Information of the Appraised Entity**1. Basic information**

Unified social credit identifier: 91420881MA48FB0X3M

Name: Zhongxiang City Zhongji Port Development Co., Ltd. (鐘祥市中基港口發展有限公司, “**Zhongxiang Port Company**”)

Type: Other limited liability company

Legal representative: Zheng Guoya (鄭國伢)

Registered capital: RMB100 million

Date of establishment: 11 November 2016

Duration of operation: 11 November 2016 to non-fixed term

Address: No. 1, Group 2, Zengtai Village, Shipai Town, Zhongxiang City, Jingmen City, Hubei Province

Business scope: investment, construction, development and operation management of transportation infrastructure with self-owned funds; container terminal construction and development; container loading, unloading, transshipment, storage and custody, packing and unpacking, cleaning and maintenance; loading, unloading, transshipment, storage and custody of other goods; bonded warehousing and logistics; road transport; international and domestic freight forwarding; operations related to the handling and transportation of containers and other cargoes and the operation of cargo terminals; and housing leasing and property services. (Dangerous goods and national special regulations are not included.) (Where licenses are required for business operations, no business operation shall be carried out prior to the license(s) having been obtained from relevant departments.)

2. Shareholders of the company, their shareholding percentages and the changes of shareholding

Zhongxiang Port Company was initiated and established by Zhongxiang State-owned Assets Supervision and Administration Bureau (鐘祥市國有資產監督管理局) independently. On 10 November 2016, Zhongxiang State-owned Assets Supervision and Administration Bureau obtained the Notice of Pre-approval of Enterprise Name (《企業名稱預先核准通知書》) from Zhongxiang Administration for Industry and Commerce (鐘祥市工商行政管理局), with a registered capital of RMB100 million. The industry and industry code were business services and 72, respectively; the

company type was limited liability company (wholly state-owned); the registered address was No. 21, west end of Chengtian Avenue, Yingzhong Town, Zhongxiang City; and the legal representative was Deng Peng (鄧鵬).

On 19 December 2016, Zhongxiang State-owned Assets Supervision and Administration Bureau issued the *Letter of Zhongxiang State-owned Assets Supervision and Administration Bureau on Transfer of Equity of Zhongxiang City Zhongji Port Development Co., Ltd. to Zhongxiang City Transport Investment Co., Ltd.* (《鐘祥市國有資產監督管理局關於市中基港口發展有限公司股權劃轉至市交通投資有限公司的函》) (Zhong Guo Zi Han [2016] No. 7), transferring 100.00% of the equity of Zhongxiang Port Company to Zhongxiang City Transport Investment Co., Ltd. (鐘祥市交通投資有限公司). On 22 December 2016, Zhongxiang Port Company completed the filing of shareholder change with Zhongxiang Administration for Industry and Commerce. After the shareholder was changed to Zhongxiang City Transport Investment Co., Ltd., the type of Zhongxiang Port Company was changed to: limited liability company (sole proprietorship of a legal person invested or controlled by natural person).

On 27 December 2016, Zhongxiang City Transport Investment Co., Ltd., shareholder of Zhongxiang Port Company, and Wuhan Zhongji Tongyong Port Development Co., Ltd. signed an Equity Transfer Agreement to transfer 60.00% of the equity of Zhongxiang Port Company to Wuhan Zhongji Tongyong Port Development Co., Ltd., the new shareholder, at a price of RMB52,810,100.00. On the same day, the registration and filing procedures were completed with Zhongxiang Administration for Industry and Commerce for the revision of articles of association, equity transfer, change of shareholders, directors, supervisors, legal persons, etc., and a new business license was issued. The type of the company has been changed to limited liability company (other limited liability company), and the legal representative is Xie Bingmu (謝炳木).

Name of shareholders, capital contribution and ratio of capital contribution:

Shareholders	Capital contribution	Shareholding percentage
Wuhan Zhongji Tongyong Port Development Co., Ltd.	60,000,000	60.00%
Zhongxiang City Transport Investment Co., Ltd.	40,000,000	40.00%

On 19 December 2017, Zhongxiang Port Company completed the paid-in capital filing with Zhongxiang Administration for Industry and Commerce. Zhongxiang City Transport Investment Co., Ltd. paid RMB37,206,700.00 in currency and in kind; Wuhan Zhongji Tongyong Port Development Co., Ltd. paid RMB55,810,100.00 in currency. Upon the completion of the filing, the paid-in capital of Zhongxiang Port Company was RMB93,016,800.00.

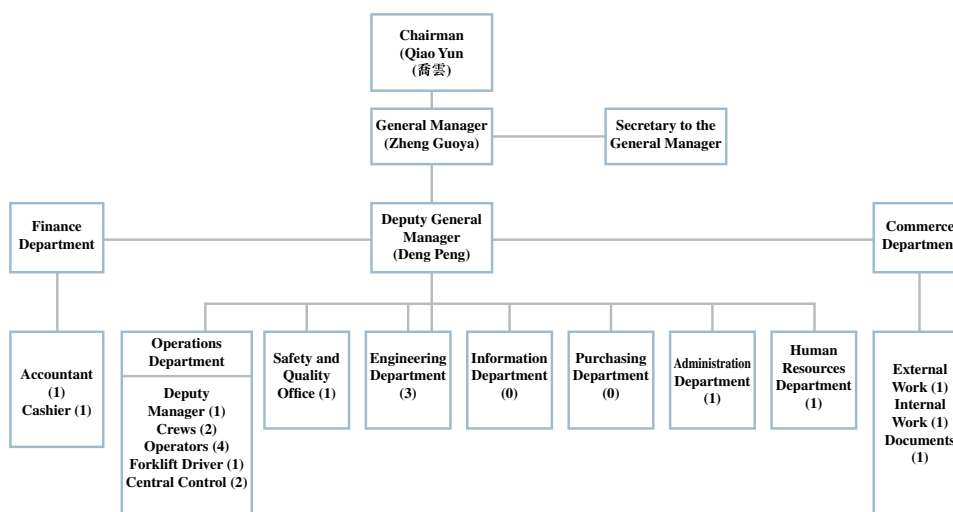
Name of shareholders, capital contribution and method of contribution:

Shareholders	Subscribed capital contribution	Method of contribution	Paid-in capital contribution	Shareholding percentage
Wuhan Zhongji Tongyong Port Development Co., Ltd.	60,000,000	Currency and in kind	55,810,100	60.00%
Zhongxiang City Transport Investment Co., Ltd.	40,000,000	Currency and in kind	37,206,700	40.00%

As of the valuation benchmark date, there is no change in the shareholding structure.

3. *Organizational structure*

Organizational Chart of Hanjiang (Zhongxiang) Port



4. *Main assets and production and operation status of the company*

Zhongxiang Port Company has 23 employees. Its main business is container handling, bulk cargo handling, and cargo agency. From January to September 2023, Zhongxiang Port Company proceeded 144 TEUs of containers, 193,000 tonnes of bulk cargo, including green sand and water slag unloading; stone and tonne packaging ships. The main income comes from the loading and unloading of bulk cargo.

The main asset of Zhongxiang Port Company is the dock platform (including the ramps) at the Shipai Port (石牌港), and an overview of the main asset is as follows:

The construction of the dock platform (including the ramps) at the Shipai Port was commenced in September 2014, and completed in December 2016. The project went through the completion acceptance in 2018, and opened for trial operation on 28 December 2016. Currently, four 1000-tonne class berths and around 70 mu of temporary rear stacking yard have been built. Two 40t gantry cranes, one 7-tonne forklift and environmental protection facilities and equipment have been installed at the front of the terminal. Three original WIT tire gantry cranes have been rented, and two shore power equipment have been invested by the electric power department, with an investment of approximately RMB120 million. The project occupies 390 meters of shoreline and has a designed passing capacity of 2.1 million tonnes per year.

5. *Assets, financial and operating conditions of the enterprise*

As of the valuation benchmark date (being 30 September 2023), the book value of the total assets, the total liabilities and the owners' equity of Zhongxiang Port Company were RMB112.5759 million, RMB16.7854 million and RMB95.7905 million, respectively. From January to September 2023, Zhongxiang Port Company recorded a main business income of RMB888,100, total profit of RMB-3.4178 million, and net profit of RMB-3.4178 million. The assets and financial conditions of Zhongxiang Port Company for three years and one period are as follows:

Unit: RMB ten thousand

Item	31 December 2020	31 December 2021	31 December 2022	30 September 2023
Current assets	1,115.91	878.08	426.96	324.33
Non-current assets	11,348.97	10,990.42	11,113.71	10,933.26
Of which: Fixed assets	1,239.90	10,806.23	10,614.06	10,420.72
Construction in progress	10,109.07	184.19	184.19	184.19
Right-of-use assets			4.60	1.15
Long-term deferred expenses			39.58	37.91
Deferred income tax assets			289.29	289.29
Total assets	12,464.88	11,868.50	11,553.67	11,257.59
Current liabilities	1,299.48	1,012.08	1,635.16	1,678.42
Non-current liabilities			0.12	0.12
Total liabilities	1,299.48	1,012.08	1,635.28	1,678.54
Owners' equity	11,165.40	10,856.42	9,918.19	9,579.05

The operating conditions of the appraised entity for three years and one period are as follows:

Unit: RMB ten thousand

Item	Year of 2020	Year of 2021	Year of 2022	January- September 2023
Operating income	433.14	1,074.41	420.77	88.81
Total profit	-368.16	-106.37	-585.02	-341.78
Net profit	<u>-368.16</u>	<u>-106.37</u>	<u>-490.83</u>	<u>-341.78</u>

Among the above financial data, the data of 2020 has been audited by Wuhan Wanli Certified Public Accountants Co., Ltd., who issued an audit report with an unqualified opinion (Wu Wan Li Shen Zi [2021] No. A228). The data of 2021 is extracted from the unaudited financial statements of Zhongxiang City Zhongji Port Development Co., Ltd. The data of 2022 has been audited by Grant Thornton (Special General Partnership), who issued an audit report with an unqualified opinion (Zhi Tong Shen Zi (2023) No. 420C004542). The data as at 30 September 2023 has been audited by Beijing Guofu Certified Public Accountants (Special General Partnership) Hubei Branch (北京國富會計師事務所 (特殊普通合夥)湖北分所), who issued an audit report with an unqualified opinion (Guo Fu E Zhuan Zi [2023] No. 42021002).

(III) Relationship between the Client and Appraised Entity

The appraised entity is a fourth-level subsidiary of the client.

(IV) Other Asset Valuation Report Users as Agreed in the Asset Valuation Entrustment Contract

This asset valuation report shall be used solely by the client, Wuhan Zhongji Tongyong Port Development Co., Ltd. and users of the asset valuation report stipulated by national laws and regulations, and shall not be used or relied on by any other third party.

III. VALUATION PURPOSE

According to the *Minutes of the Meeting of Hubei Port Group Company Limited* (《湖北港口集團有限公司會議紀要》) ([2023] No. 21) and the *Documents of the Meeting of the General Manager's Office of Hubei Port Group Company Limited* (《湖北港口集團有限公司總經理辦公會會議檔》) ([2023] No. 33), Wuhan Zhongji Tongyong Port Development Co., Ltd. proposed to transfer the equity interest. For this purpose, it was necessary to value the market value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. on the valuation benchmark date (being 30 September 2023) involved in the economic behavior, so as to provide a value reference for the aforesaid economic behavior.

IV. VALUATION TARGET AND VALUATION SCOPE

(I) Valuation Target

Valuation target is the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. as at valuation benchmark date (being 30 September 2023).

(II) Valuation Scope

Valuation scope is all assets and liabilities of Zhongxiang City Zhongji Port Development Co., Ltd. as at the valuation benchmark date, among which the book value of total assets was RMB112.5759 million, the book value of the total liabilities was RMB16.7854 million, and the book value of the owners' equity was RMB95.7905 million. The book value of the various types of assets and liabilities are shown in the table below:

Summary of Asset Valuation Declarations

Unit: RMB ten thousand

Item	Book value
Current assets	324.33
Non-current assets, of which:	10,933.26
Fixed assets	10,420.72
Construction in progress	184.19
Right-of-use assets	1.15
Long-term deferred expenses	37.91
Deferred income tax assets	289.29
Total assets	11,257.59
Current liabilities	1,678.42
Non-current liabilities	0.12
Total liabilities	1,678.54
Owners' equity	<u>9,579.05</u>

On the valuation benchmark date, the book value of assets and liabilities within the valuation scope has been audited by Beijing Guofu Certified Public Accountants (Special General Partnership) Hubei Branch, who issued an audit report with an unqualified opinion (Guo Fu E Zhuan Zi [2023] No. 42021002).

(III) Main Assets Involved in the Valuation Scope

The physical assets reported by the enterprise to be considered in the valuation scope include inventory, structures, equipment assets and construction in progress, of which, structures, machinery equipment and electronic equipment are fixed assets.

1. Inventory: the inventory consists of 102 items of raw materials, among which the raw materials are mainly steel ropes, all of which are stored in Shipai Port Wharf Warehouse.
2. Fixed asset – structures: the book value of structures is 93,788,988.29. Structures include dock platform (including the ramps), temporary yard and supporting facilities, 9 items in total, all located at the Shipai Port. Among which, construction of the dock platform (including the ramps) was commenced in September 2014, completed in December 2016, and handed over for acceptance in 2018; it was in a type of steel-concrete structure with 50 years of design service period; the dock platform was 390 meters long and 24 meters wide; four 1000-tonne class berths have been built, occupying 390 meters of shoreline, with an annual design passing capacity of 2.1 million tonnes. The temporary yard was completed in December 2016, with a structure type of concrete surface, 370 meters long and 95 meters wide.
3. Fixed asset – machinery equipment: the book value of machinery equipment is 10,375,329.36. There are 31 items of machinery equipment, mainly gantry cranes, 7-ton forklifts, weighbridges, etc., which are located at Shipai Port and are available for use.
4. Fixed asset – electronic equipment: the book value of electronic equipment is 42,935.26. There are 61 items of electronic equipment, mainly computers, printers, air conditioners, etc., which are located in the office areas of various departments of the Company and are available for use.
5. There are 2 constructions in progress in total, mainly include a warehouse for tools and rigging, and flood control and slope protection work, located at the Shipai Port.

(IV) Type and Quantity of Off-balance Sheet Assets Reported by the Enterprise

The off-balance sheet assets reported by the appraised entity in this valuation are 2 structures, which were expensed as incurred during the Company's preparation period and were not included in the fixed assets account. In this valuation, the structures are included in the valuation scope as off-balance sheet assets. The structures can be used normally on the valuation benchmark date and have an average exterior. The details are as follows:

No.	Name	Structure	Year and month of completion	Length (m)	Width (m)	Height (m)	Measuring unit	Gross floor area (m ²)
1	Colored steel room	Steel	15 December 2016	9	4	2.8	m ²	36.00
2	Colored steel room	Steel	15 December 2016	20	6	2.6	m ²	120.00
Total								156.00

(V) Type, Quantity and Book Value (or Appraised Value) of the Assets Involved in the Report Conclusions Issued by Other Institutions

Report conclusions issued by other institutions are not cited in this valuation.

The client and the appraised entity have promised that the entrusted valuation target and valuation scope are consistent with the valuation target and valuation scope involved in the economic behavior.

V. VALUE TYPE

According to factors such as the valuation purpose, market conditions and the conditions of the valuation target itself, the value type selected for this valuation project is market value.

Market value refers to the estimated amount of the value of the normal fair transaction conducted by the valuation target on the valuation benchmark date when the voluntary purchaser and voluntary seller act reasonably without any coercion.

VI. VALUATION BENCHMARK DATE

The valuation benchmark date of this report is 30 September 2023.

The valuation benchmark date is determined by the client and is consistent with the valuation benchmark date agreed in the asset valuation entrustment contract.

VII. VALUATION BASIS**(I) Basis of Economic Behavior**

1. Minutes of the Meeting of Hubei Port Group Company Limited ([2023] No. 21) and Documents of the Meeting of the General Manager's Office of Hubei Port Group Company Limited ([2023] No. 33).

(II) Basis of Laws and Regulations

1. Asset Appraisal Law of the People's Republic of China (Order No. 46 of the President of the People's Republic of China);
2. Civil Code of the People's Republic of China (passed at the 3rd session of the 13th National People's Congress on 28 May 2020);
3. Rules on the Evaluation and Management of State-owned Assets (Order No. 91 of the State Council, amended by the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations (Order No. 732 of the State Council of the People's Republic of China) on 29 November 2020);
4. Law of the People's Republic of China on the State-Owned Assets of Enterprises (Order No. 5 of the President of the People's Republic of China in 2008);
5. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of SASAC of the State Council);
6. Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (Order No. 32 of SASAC of the State Council and the Ministry of Finance);
7. Notice on Relevant Issues Concerning Strengthening the Evaluation and Management of State-owned Assets of Enterprises (the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Wei Chan Quan [2006] No. 274));
8. Notice on Matters Concerning the Review of the Appraisal Report of State-owned Assets of Enterprises (the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Chan Quan (2009) No. 941));
9. Notice on Publishing the Guidelines for the Filing for Recordation of the Valuation Projects of Enterprise State-owned Assets (the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Fa Chan Quan [2013] No. 64));

10. Company Law of the People's Republic of China (the 6th session of the Standing Committee of the Thirteenth National People's Congress on 26 October 2018 (The Decision on Amendments to the Company Law of the People's Republic of China));
11. Enterprise Income Tax Law of the People's Republic of China (Amended at the 7th session of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
12. Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 691 of the State Council);
13. Implementation Measures for the Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 65 of the Ministry of Finance and the State Administration of Taxation);
14. Notice on the Comprehensive Implementation of the Pilot Program for the Conversion of Business Tax to Value Added Tax (Cai Shui [2016] No. 36);
15. Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32);
16. Announcement on Policies in Relation to the Deepening VAT Reform (Announcement 2019 No. 39 of Ministry of Finance, General Administration of Taxation and General Administration of Customs);
17. Hubei Provincial Measures for the Evaluation and Management of State-owned Assets of Enterprises (《湖北省企業國有資產評估管理辦法》) (E Guo Zi Chan Quan (2020) No. 2);
18. Measures for the Publicity of Asset Valuation Project of Enterprises Funded by the State-owned Assets Supervision and Administration Commission of the Provincial Government (《省政府國資委出資企業資產評估專案公示辦法》) (E Guo Zi Chan Quan [2020] No. 3);
19. Notice on the Issuance of the Implementation Measures for Guiding and Supervising Local State-owned Assets Work in Hubei Province (《關於印發《湖北省指導監督地方國資工作實施辦法》的通知》) (E Guo Zi Zong He [2022] No. 61);
20. Other relevant legal and regulatory documents.

(III) Basis of Valuation Criteria

1. Basic Standard for Assets Valuation (Cai Zi [2017] No. 43);
2. Standard for Work Ethic of Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Assets Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation – Assets Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation – Assets Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Assets Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Assets Valuation Method (Zhong Ping Xie [2019] No. 35);
8. Practice Guidelines for Asset Valuation – Adoption of Expert Work and Relevant Reports (Zhong Ping Xie [2017] No. 35);
9. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
10. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
11. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31);
12. Guideline for the Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
13. Guidelines for Business Quality Control of Assets Valuation Institutions (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Valuation of Assets (Zhong Ping Xie [2017] No. 47);
15. Guidance on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions No. 8 from Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39)

(IV) Basis of Asset Ownership

1. Main equipment purchase contracts, invoices, as well as relevant agreements, contracts and other materials;
2. Other ownership documents.

(V) Basis of Pricing in Value Estimation

1. Application Form for Asset Valuation provided by the appraised entity;
2. The loan prime rate (LPR) as quoted by the National Interbank Funding Center under the authority of The People's Bank of China;
3. Municipal Engineering Consumption Quota and Full Cost Base Price List of Hubei Province 《湖北省市政工程消耗量定额及全费用基价表》(2018);
4. Construction project information price in Zhongxiang City in September 2023;
5. Relevant project completion and settlement information provided by the enterprise;
6. Project budget book prepared by Zhongjing International Engineering Consulting Group Co., Ltd.;
7. Statistics of payment progress of construction in progress and related proofs of payment provided by enterprise;
8. Financial statements, audit reports and other relevant financial information provided by the enterprise;
9. Other relevant valuation information and materials recorded and collected by appraisers in on-site survey;
10. Original accounting statements, financial, accounting and operation materials, as well as financial materials such as relevant agreements, contracts, invoices as provided by the appraised entity;
11. The statistical materials, technical standard materials, and price information and materials released by the relevant state departments, as well as the relevant inquiry materials and pricing parameter materials collected by our company;
12. Other information related to this asset valuation.

(VI) Other References

1. Audit report issued by Beijing Guofu Certified Public Accountants (Special General Partnership) Hubei Branch;
2. Materials related to the valuation obtained from on-site inspections and market research by valuation professionals.

VIII. VALUATION METHOD**(I) Introduction to the Valuation Method**

Basic methods for enterprise valuation include the asset-based method, the income method and the market method.

The asset-based method for enterprise valuation, also known as the cost method, refers to the valuation method that determines the value of a valuation target by appraising the value of its various assets and liabilities on balance sheet and various identifiable assets and liabilities off balance sheet, with reference to the balance sheet of the appraised entity as at the valuation benchmark date.

The income method for enterprise valuation refers to the valuation method that determines the value of a valuation target by capitalising or discounting its expected income. The specific methods commonly involved when using the income method include the dividend discount method and the discounted cash flow method. The income method is the assessment of the value of an enterprise by its profitability, which is based on the economics theory of expected utility.

The market method for enterprise valuation refers to the valuation method that determines the value of a valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases. There are two commonly used specific methods under the market method, which are listed company comparison and transaction-case comparison.

(II) Selection of Valuation Method

The asset-based method is the valuation method by which the value of the appraised entity is determined by reasonably assessing the values of each asset and liability item, both on and off balance sheet, based on the balance sheet. Taking into account the circumstances of this valuation, the appraised entity can provide and the appraisers can collect externally the information required for the asset-based method, so that thorough investigation and valuation can be conducted on the assets and liabilities of the appraised entity. Therefore, the asset-based method is applicable to this valuation.

Only the asset-based method has been adopted in this valuation, and the reasons why the other methods are not adopted are as follows:

The income method for enterprise valuation refers to the valuation method that determines the value of a valuation target by capitalising or discounting its expected income. The basic premise of the income method is that future returns can be reasonably predicted and measured in monetary terms, and that the risk of future returns can be reasonably quantified.

Upon analysis, the operating income of the appraised entity in 2020, 2021, 2022 and from January to September 2023 was RMB4.3314 million, RMB10.7441 million, RMB4.2077 million and RMB888,100, respectively, and the net profit was RMB-3.6816 million, RMB-1.0637 million, RMB-4.9083 million and RMB-3.4178 million, respectively. The main business of the appraised entity is container handling, bulk cargo handling and freight forwarding. As the cargo throughput and utilization rate of Zhongxiang Port terminal operated by the appraised entity was low, and from the perspective of the historical annual financial data of the appraised entity, the income fluctuated greatly and was in a state of loss, the appraiser could not reasonably quantify the future income status and risk premium of the appraised entity. Therefore, the income method has not been adopted for the valuation.

The market method refers to the valuation method that determines the value of a valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases.

Because the appraised entity is a non-listed company, its business structure, operating model, enterprise size, asset allocation and usage, business stage, growth, operating risk, financial risk and other factors are quite different from those of listed companies in the same industry. Moreover, there were few trading, acquisition and merger cases of comparable enterprises in the same industry in the PRC around the valuation benchmark date, so that it was difficult to obtain reliable operational and financial data of comparable transactions and calculate the appropriate value ratio. As a result, the market method is not applicable to this valuation.

Upon analysis, the valuation conclusion under the asset-based method on the valuation benchmark date can basically reflect the value of the equity, so only the asset-based method is used for the valuation.

(III) Asset-based Method

The asset-base method in the enterprise valuation refers to the concept of determining the value of the valuation target based on its balance sheet on the valuation benchmark date through reasonable valuation on all the assets and liabilities.

According to the principle of the asset-based method, the specific asset and liability valuation process is as follows:

1. *Valuation of current assets*

The current assets of the appraised entity include monetary funds, accounts receivable, prepayment, other receivables and inventory.

- (1) Monetary funds: it includes cash on hand and bank deposits. The appraised value of them shall be determined as the verified value which is arrived at after checking of cash inventory, the verification of bank reconciliation statements and bank confirmations.
- (2) Accounts receivable: the appraised value of accounts receivable shall be determined by the possible recoverable amount of each payment after verification. If there is good reason to believe that all amounts can be recovered, the appraised value shall be calculated as the total amount of receivables. For those that may not be recovered in full, when it is difficult to determine the irrecoverable amounts, the appraised value shall be calculated after deducting the risk loss based on the estimated irrecoverable amounts with reference to the aging analysis method as well as the analysis of the specific amount, time and reason of arrears, the recovery of the amount, the current status of the debtor's funds, credit, operation and management, etc., learnt from historical data and on-site investigation. For those items which are found to be irrecoverable, the appraised value shall be calculated as zero, and the "bad debt provision" item on the book shall be calculated as zero value.
- (3) Prepayment: the appraised value is determined according to the value of the assets or rights formed by the corresponding goods that can be recovered. For goods or rights that are recoverable, the verified book value shall be taken as the appraised value. Where there is conclusive evidence that the corresponding goods cannot be recovered, or the corresponding assets or interests cannot be formed, the appraised value of such prepayments will be nil.
- (4) Other receivables:

The appraised value of other receivables shall be determined by the possible recoverable amount of each payment after verification. If there is good reason to believe that all amounts can be recovered, the appraised value shall be calculated as the total amount of receivables. For those that may not be recovered in full, when it is difficult to determine the irrecoverable amounts, the appraised value shall be calculated after deducting the risk loss based on the estimated irrecoverable amounts with reference to the aging analysis method as well as the analysis of the specific amount, time and reason of arrears, the recovery of the amount, the current status of the debtor's funds, credit, operation and management, etc., learnt from historical data and on-site investigation. For those items which are found to be irrecoverable, the appraised value shall be calculated as zero, and the "bad debt provision" item on the book shall be calculated as zero value.

(5) Inventory

Raw materials: for the main raw materials, the market method is used to analyze the reasonableness of its book value, and the verified book value is used as the appraised value for the raw materials that have not been stored for a long time and have little change in market prices.

2. *Valuation of non-current assets*

(1) *Structures*

The structures are mainly dock platform (including the ramps), temporary yard and supporting facilities, and the structures are valued mainly with cost method.

Cost method

Appraised value = replacement cost × comprehensive newness rate

1) Determination of replacement cost

As the appraised entity is a VAT-based general taxpayer, the replacement cost of the appraised structures is exclusive of tax.

The replacement cost is generally composed of three parts: construction and installation cost, upfront and other expenses, and capital cost. It is calculated as follows:

Replacement cost = construction and installation cost + upfront and other expenses of the project + capital cost

1 Comprehensive cost of construction and installation

For large-scale, high-value, and important structures, the comprehensive cost of construction and installation is determined using the recomposed budget method, which means appraisers calculate the pretax prices of the construction and installation project on the valuation benchmark date according to the existing defined project budget and integrated rates, and with reference to the as-built drawings and relevant information of the buildings (structures) to be valued, combined with the results of on-site investigation and re-compiled bill of quantities.

With regard to buildings (structures) with small value and simple structure, the unilateral cost method is used to determine the comprehensive cost of construction and installation.

2 Determination of upfront and other expenses

The upfront and other expenses mainly include project construction monitoring fee, project design fee, construction unit management fee, etc., and the calculation content and standards are as follows:

No.	Fee name	Rate (tax inclusive)	Rate (tax exclusive)	Charging base value	Charging basis
I	Construction unit management fee	1.38%	1.38%	Total investment	Cai Jian [2016] No. 504
II	Survey and design fee	2.00%	1.89%	Total investment	Market price
III	Project monitoring fee	1.74%	1.64%	Total investment	Market price
IV	Project bidding agency fee	0.24%	0.23%	Total investment	Market price
V	Feasibility study fee	0.11%	0.10%	Total investment	Market price
VI	Environmental impact assessment fee	0.56%	0.53%	Total investment	Market price
	Total	<u>6.03%</u>	<u>5.77%</u>		

3 Capital cost

The capital cost is calculated based on the loan interest rate on the valuation benchmark date and the reasonable construction period of the building. The loan interest rate is calculated based on the loan prime rate (LPR) calculated and published by the National Interbank Funding Center under the authority of The People's Bank of China during the same period. The comprehensive cost of construction and installation is considered on the basis of even input of capital, and the upfront and other expenses are considered on the basis of an initial investment. It is calculated as follows:

Capital cost = (comprehensive cost of construction and installation × loan interest rate × construction period × 1/2) + upfront and other expenses × construction period × loan interest rate

In the formula: interest rate (LPR) = $Y_1 + (Y_2 - Y_1)/(X_2 - X_1) \times (X - X_1)$

Where: LPR: loan interest rate

X: construction period

Y: loan interest rates (LPR) for different periods

2) Determination of comprehensive newness rate

- 1 For high-value and important structures, the newness rate is determined based on both the surveyed newness rate and the newness rate over useful life. The formula is as follows:

Comprehensive newness rate = surveyed newness rate \times 60% + theoretical newness rate \times 40%

Where:

Theoretical newness rate (%) = remaining service life/(remaining service life + serviced life) \times 100%

In determining the on-site surveyed newness rate, construction completion documents of major structures shall be inspected to learn about the maintenance and management history, while on-site survey shall be conducted to evaluate the three parts including structure, decoration and equipment of the buildings with on-site survey lists filled in and surveyed newness rate calculated.

- 2 For low-value and simple structured structures, the newness rate is determined based on useful life approach with adjustment according to the specific conditions. The formula is as follows:

Newness rate = (service life – serviced life)/service life \times 100%

3) Calculation of the appraised value

Appraised value = replacement costs \times comprehensive newness rate

(2) *Equipment assets*

Equipment assets within the scope of valuation includes two major categories: machinery equipment and electronic office equipment.

According to the valuation purpose, the characteristics of various types of equipment, data collection and other relevant conditions, the cost method is mainly adopted in the valuation. The formula used in this valuation is as follows:

Appraised value = replacement cost × comprehensive newness rate

1) Valuation of machinery equipment

① Determination of replacement cost of machinery equipment

Replacement cost = purchase price of equipment + transportation and miscellaneous fees + installation and commissioning fees + basic expenses + upfront and other expenses + capital cost – deductible input value-added tax

For separately-purchased small equipment and equipment not requiring installation, replacement cost = purchase price of equipment + transportation and miscellaneous fees – deductible input value-added tax. If transportation and miscellaneous fees and installation fees are contained in purchase price of equipment, the replacement value equals the purchase price (tax exclusive).

(A) Purchase price of equipment

Purchase price for large key equipment is mainly determined by inquiring the manufacturers about the market price on the valuation benchmark date or making reference to the latest contract price for similar equipment on the valuation benchmark date.

For general-purpose equipment: mainly refer to the current market price of the same type of equipment in the domestic market.

For small equipment, the purchase price is mainly determined by obtaining market quotations as at the valuation benchmark date; and for equipment without market quotation, the purchase price is mainly determined by reference to similar equipment.

(B) Transportation and miscellaneous fees

The charge is calculated on the basis of the purchase price and by different rates depending on the distance between the manufacturer and the location of the equipment, the weight, shape and size of the equipment. If the transportation and miscellaneous fees are already included in the equipment fee, it will not be double-counted.

(C) Installation and commissioning fees

The charge is calculated on the basis of the purchase price and by different rates depending on the feature, weight and difficulty in installation of the equipment. If there is no need to install and debug the equipment or the installation and commissioning fees are included in the equipment fee, the fees will not be double-counted.

(D) Basic expenses

The basic expenses are calculated by different rates depending on the features of the equipment on the basis of the purchase price and with reference to the Methods for Preparation of Estimates and Indexes for Estimates of Machinery Construction Projects (《機械工業建設專案概算編製辦法及各項概算指標》). If the equipment is not accounted for on a separate basis, the basic expenses of equipment will not be considered when calculating the replacement cost of the equipment.

(E) Upfront and other expenses

Upfront and other expenses include construction unit management fee, survey and design fee, and project monitoring fee. They are calculated based on the standards for other expenses of the construction project where the equipment is located and the characteristics of the equipment.

The following table shows the charging base value, rate and charging basis of upfront and other expenses:

No.	Fee name	Rate (tax inclusive)	Rate (tax exclusive)	Charging base value	Charging basis
I	Construction unit management fee	1.38%	1.38%	Total investment	Cai Jian [2016] No. 504
II	Survey and design fee	2.00%	1.89%	Total investment	Market price
III	Project monitoring fee	1.74%	1.64%	Total investment	Market price
IV	Project bidding agency fee	0.24%	0.23%	Total investment	Market price
V	Feasibility study fee	0.11%	0.10%	Total investment	Market price
VI	Environmental impact assessment fee	0.56%	0.53%	Total investment	Market price
	Total	<u>6.03%</u>	<u>5.77%</u>		

(F) Capital cost

The capital cost is calculated for machinery equipment with high equipment value and a purchase and construction period of more than 6 months. The capital cost is calculated based on the loan interest rate on the valuation benchmark date and the reasonable construction period of the machinery equipment. The loan interest rate is calculated with reference to the loan prime rate (LPR) calculated and published by the National Interbank Funding Center under the authority of The People's Bank of China during the same period. The purchase price of equipment, transportation and miscellaneous fees and installation and commissioning fees are considered on the basis of even input of capital, and the upfront and other expenses are considered on the basis of an initial investment. It is calculated as follows:

$$\text{Capital cost} = (\text{purchase price of equipment} + \text{transportation and miscellaneous fees} + \text{installation and commissioning fees} + \text{basic expenses}) \times \text{loan interest rate} \times \text{construction period} \times 1/2 + \text{upfront and other expenses} \times \text{construction period} \times \text{loan interest rate}$$

(G) Deductible input value-added tax

The appraised entity is a VAT-based general taxpayer, and according to the relevant national policies on value-added tax, the input value-added tax in the purchase and construction cost of equipment can be deducted.

Deductible input value-added tax = input tax of purchase price of equipment + input tax of transportation and miscellaneous fees + input tax of installation and commissioning fees + input tax of basic expenses + input tax of upfront and other expenses

② Determination of comprehensive newness rate

For large and key equipment, the newness rate is determined based on both the surveyed newness rate and the theoretical newness rate according to the weight:

Comprehensive newness rate = surveyed newness rate × 60% + theoretical newness rate × 40%

(A) Surveyed newness rate

The surveyed newness rate is determined mainly according to the actual conditions of the equipment of the enterprise, by on-site surveying and scoring various aspects of the equipment one by one, including technical conditions, work environment surrounding the equipment, and maintenance of the equipment.

(B) Theoretical newness rate

Theoretical newness rate is determined by reference to the economic life (or remaining service life) and the serviced life of the equipment.

Theoretical newness rate = (economic service life – serviced life)/economic service life × 100%

For equipment whose serviced life are longer than the economic service life, the following formula is applied:

Theoretical newness rate = remaining service life/(serviced life + remaining service life) × 100%

For equipment of lower value with light and simple structure and normal use, the newness rate is determined with service life approach based on the serviced life with consideration of its maintenance conditions.

③ Calculation of the appraised value

Appraised value = replacement cost × comprehensive newness rate

2) Valuation of electronic and office equipment

① Determination of replacement cost

Electronic and office equipment represents mostly office equipment such as computers, printers, air conditioners and office furniture. The distributors of the electronic and office equipment undertake the delivery, installation and commissioning of such equipment. Their replacement cost is valued by direct reference to their market purchase price (tax exclusive). The market purchase price is determined based on local market information and recent online transaction prices.

② Determination of newness rate

For electronic equipment, air conditioners, office furniture and other small devices, their comprehensive newness rate is determined mainly according to their economic service life. For large electronic equipment, when determining their comprehensive newness rate, the appraisers also consider other factors including the work environment surrounding the equipment and the operating conditions of the equipment.

③ Determination of appraised value

Appraised value = replacement cost × newness rate

(3) *Construction in progress*

The cost method is adopted in the valuation to appraise the construction in progress. In order to avoid double valuation of assets and omission of asset value, combining the characteristics of constructions in progress, the following valuation methods are adopted for each type and specific situation of construction in progress:

1) Unfinished projects

This category mainly includes flood control and slope protection works.

According to the amount reported in the project under construction, after the accounts are checked and verified, the residual value of unreasonable expenditures is excluded as the appraised value.

2) Completed projects

This category mainly includes a warehouse for tools and rigging.

Completed projects that have been paid off and confirmed without potential liabilities shall be valued according to the valuation method for fixed assets.

3) Pure cost construction in progress

This category mainly includes survey fees of rear stacking yard.

Pure cost construction in progress has no material entities. If the verified payment is necessary for the construction projects to be started in the future or has actual value for the future owners, the verified book value should be taken as the appraised value after it is confirmed that there is no duplicate valuation with the related asset projects, otherwise it should be treated as zero.

(4) *Right-of-use assets*

Included in this valuation is mainly the right to use the office building in Zengtai Village, Shipai Town, Zhongxiang City. Upon verification, the voucher recorded in the book is consistent with the actual situation, the rent is close to the market level, and the appraised value is determined by the verified value.

(5) *Long-term deferred expenses*

The approved methods related to long-term deferred expenses of the appraised entity have been verified. Long-term deferred expenses are valued by reference to the value of assets and entitlements that are still held by the appraised entity after the valuation benchmark date. For deferred expenses with no corresponding entitlements or value, or deferred expenses that have been taken into account in other categories of assets, their appraised value is nil. For deferred expenses that have corresponding entitlements or value, such entitlements or value is valued by reference to their original cost and the ratio of the remaining life of such entitlements over their full life of amortisation.

(6) *Deferred income tax assets*

The appraisers understood the content of the deferred income tax assets and the related calculation process, and have recalculated and recognized the deferred income tax assets according to the valuation treatment of the corresponding accounts.

3. *Valuation of liabilities*

The liabilities of the appraised entity include accounts payable, contract liabilities, employee remuneration payable, taxes payable, other payables, other current liabilities and deferred income tax liabilities.

The valuation of the liabilities of the appraised entity mainly involves examination and verification, and the appraised value is determined by the verified book value or based on the liabilities actually incurred when appraisers verify relevant documents, contracts, accounts, and relevant vouchers, and confirms their authenticity.

IX. PROCESS AND STATUS FOR THE IMPLEMENTATION OF VALUATION PROCEDURES

In accordance with the relevant provisions of laws, regulations and asset valuation standards, appropriate valuation procedures have been carried out in the valuation. The assets and liabilities related to the valuation target were valued by the appraisers from 28 October 2023 to 24 November 2023. The process and status for the implementation of major valuation procedures are as follows:

(I) Acceptance of Entrustment

Upon discussions and negotiations, we have reached agreement with the client on the basic matters related to asset valuation such as valuation purpose, valuation target and valuation scope, types of value, valuation benchmark date, range of application of asset valuation report, submission deadline and method of asset valuation report, valuation service fee and payment method, cooperation and assistance of parties involved in the valuation. In addition, we have entered into the asset valuation entrustment contract and prepared valuation plan.

(II) Preliminary Valuation Preparation

In view of the characteristics of this project and the distribution of assets, we have formulated an asset valuation plan, established a valuation team, and carried out project training.

1. *Training for personnel of the appraised entity*

In order to make the financial and asset management personnel of the appraised entity understand and properly fill in the asset valuation materials to ensure the quality of the valuation report materials, our company sends special personnel to answer the questions encountered by the appraised entity in the process of preparing and filling in the asset valuation materials.

2. *Training for appraisers*

In order to guarantee the quality of the valuation, enhance efficiency and implement the formulated asset valuation plan, we have briefed the project team members the background of economic behavior of the project, characteristics of the assets of the valuation target, technical ideas of the valuation and specific operational requirements.

(III) On-site Investigation

From 28 October 2023 to 24 November 2023, appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary on-site investigation on the production, operation and management of the appraised entity.

1. *Guiding the appraised entity on how to complete the forms and to prepare materials to be provided to the asset valuation institution*

While the financial and asset management personnel of the appraised entity are required to conduct their own checking of assets, the appraisers have guided them on how to correctly and carefully fill out each of the required forms covering the assets under the valuation scope according to the Asset Valuation Schedule and instructions provided therein and the list of information which are provided by the asset valuation institution. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indexes.

2. *Preliminary review and improvement of the Asset Valuation Schedule filled out by the appraised entity*

The appraisers have accessed to relevant information to have an understanding of the details of the assets under the valuation scope and carefully reviewed the various Asset Valuation Schedules to check if there are any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they have

obtained, the appraisers have reviewed the Asset Valuation Schedule to check if there is any omission before providing feedback to the appraised entity for it to improve the Asset Valuation Schedule.

3. *On-site survey*

In accordance with the relevant asset valuation standards, the appraisers have conducted, with the cooperation of the relevant personnel of the appraised entity, on-site survey on various assets under the valuation scope in terms of their types, quantity and distribution. Different survey methods have been adopted in light of the nature and characteristics of the different types of assets.

4. *Supplementation, modification and improvement of Asset Valuation Schedules*

Based on the on-site survey results, the appraisers have further improved the Asset Valuation Schedules after proper communication with the relevant personnel of the appraised entity in order to ensure the consistency among the accounts, forms and actual circumstances.

5. *Verification of ownership certificates*

The appraisers have verified the ownership certificates of the assets under the valuation scope and required the enterprise to verify incomplete or unclear ownership information.

(IV) Collection of Information

The appraisers have collected necessary information based on the specific situations of the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from the client and relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They have made necessary analysis, induction and collation of the collected information to develop basis for valuation and estimate.

(V) Valuation and Estimate

The appraisers have adopted, in light of the specific situations of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets by adopting the selected valuation methods to reach a preliminary conclusion of valuation. The project leader has summarized the preliminary conclusion of valuation concerning various assets, and prepared and formulated the preliminary asset valuation report.

(VI) Internal Audit

According to our administrative measures for valuation process, the project leader shall submit the asset valuation report for our internal audit after the preliminary asset valuation report has been prepared. Upon completion of the internal audit, the project leader shall exchange views with the client or other relevant parties agreed by the client on related contents of the asset valuation report. Upon an individual analysis of relevant opinions, changes and adjustments shall be made in accordance with the internal assets valuation report review system and procedures of our company, and eventually the formal asset valuation report is issued.

X. VALUATION ASSUMPTION**(I) Basic Assumptions:****1. Transaction assumption**

Transaction assumption assumes that all assets to be valued are in the process of transaction, and the appraiser will conduct the valuation with reference to a simulated market based on the transaction conditions of assets to be valued.

2. Open market assumption

The open market assumption represents that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent buyer and seller over the value of assets under certain supply and demand conditions. Open market refers to a fully competitive market with numerous buyers and sellers, where the buyers and sellers are equal in status and have opportunities and time to get enough market information and the transactions between the buyers and sellers are based on free will and rationality rather than mandatory or restricted conditions. Both the buyers and sellers can rationally judge the function, usage, transaction price, etc. of the assets.

3. Assumption on continuing operation

Continuing operation assumption assumes that the appraised entity will not cease to operate for various reasons in the foreseeable future based on the conditions of existing assets and resources, but will operate legally and on a going-concern basis.

(II) General Assumptions:

1. It is assumed that there is no material change to the national and local political, economic and social environments of the country and region where the appraised entity is located.
2. It is assumed that there is no material change to the national macroeconomic policies, industry policies and regional development policies.

3. It is assumed that there is no material change to the interest rates, exchange rates, tax bases, tax rates and policy levies related to the appraised entity after the valuation benchmark date.
4. It is assumed that there is no force majeure or unforeseeable circumstances which may materially and adversely affect the appraised entity.
5. It is assumed that the data (basic data, financial data, operating data, forecast data, etc.) provided by the client and the appraised entity is true, accurate and complete, and all relevant material matters have been fully disclosed.

According to the requirements of the asset valuation, these assumptions are determined to be true on the valuation benchmark date. In the event of any changes to the above assumptions, the valuation institution and asset appraisers shall not be responsible for deducing different conclusions of valuation due to any changes of the assumptions.

XI. VALUATION CONCLUSION

Necessary procedures were performed in accordance with the provisions of laws, administrative regulations and asset valuation standards with the principle of being independent, objective and fair to value the market value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. on 30 September 2023. The asset-based method was applied in this valuation. The valuation conclusion is based on the above work, as follows:

According to the asset-based method, on the valuation benchmark date, Zhongxiang City Zhongji Port Development Co., Ltd. showed that the book value of total assets was RMB112.5759 million, and the appraised value of which was RMB132.7469 million, with appraised incremental value of RMB20.1710 million or 17.92%; the book value of the total liabilities was RMB16.7854 million, and the appraised value of which was RMB16.7854 million, with no increase or decrease in value; the book value of the owners' equity was RMB95.7905 million, and the appraised value of which was RMB115.9615 million, with appraised incremental value of RMB20.1710 million or 21.06%. The summary of the valuation with asset-based method is detailed in the following table:

Summary of Asset Valuation Results

Unit: RMB ten thousand

Item	Book value	Appraised value	Increase or decrease in value	Appreciation rate (%)
Current assets	324.33	324.33		
Non-current assets	10,933.26	12,950.36	2,017.10	18.45
Of which: Fixed assets	10,420.72	12,438.11	2,017.39	19.36
Construction in progress	184.19	183.90	-0.29	-0.16
Right-of-use assets	1.15	1.15		
Long-term deferred expenses	37.91	37.91		
Deferred income tax assets	289.29	289.29		
Total assets	11,257.59	13,274.69	2,017.10	17.92
Current liabilities	1,678.42	1,678.42		
Non-current liabilities	0.12	0.12		
Total liabilities	1,678.54	1,678.54		
Owners' equity	9,579.05	11,596.15	2,017.10	21.06

Namely: the appraised value of the entire equity interests held by shareholders of Zhongxiang City Zhongji Port Development Co., Ltd. on the valuation benchmark date (being 30 September 2023) was RMB115.9615 million (one hundred and fifteen million nine hundred and sixty one thousand five hundred in Renminbi in words).

The validity period of the valuation conclusion: this asset valuation report only provides a value reference for the economic behavior described in the asset valuation report. The validity period of the valuation conclusion is one year from the valuation benchmark date, that is, from 30 September 2023 to 29 September 2024.

XII. NOTES ON SPECIAL MATTERS

The following issues are beyond our appraisers' practice and competence to value and estimate, but may indeed affect the valuation conclusion. Users of the valuation report should pay particular attention to:

- (I) The reference to "appraised value" in this report represents the objective and fair reflection of the value of the appraised assets on the valuation benchmark date and for the purposes set out in this report, subject to the preconditions that such assets maintain their existing purpose as a going concern under the conditions and external economic environment prevailing on the valuation benchmark date, without being responsible for other purposes.
- (II) The valuation conclusion of the report reflects market value of the valuation target under the valuation purpose based on the principle of open market, without taking into account the related expenses and taxes that should be borne by the assets in the process of property rights registration or ownership change. No tax adjustment preparations have been made for the assets valuation appreciation value. The valuation conclusion should not be regarded as a guarantee of the realizable value of the valuation target.
- (III) This asset valuation report has not taken into account the premiums or discounts that may arise due to the possession or lack of control, nor has it considered the impact of liquidity on the value of the valuation target.
- (IV) The impact of income tax on the valuation conclusion that may be involved in the increase or decrease in the value of non-current assets as appraised has not been considered in the valuation with the application of asset-based method.
- (V) The valuation conclusion presents the value of the shareholders' total interests in the appraised entity. The value of the shareholders' partial interests does not necessarily equal to the value of the shareholders' total interests multiplied by shareholding proportion. Specifically, users of the report shall take into consideration of the effects of premiums or discounts brought about by factors that may exist including controlling stake and minority holding on the basis of the valuation conclusion when quoting the conclusion of this valuation report as a reference to controlling stake or minority equity transaction.
- (VI) In case of any change to the asset quantity and price standards during the validity period of the asset valuation results, appropriate adjustment shall be made, and the valuation conclusion cannot be directly applied.
- (VII) The book value of the flood control and slope protection project under the construction in progress included in the valuation scope is a provisional estimated cost, and the project has not been completed and settled as of the valuation benchmark date. As the appraised entity has not provided the specific engineering quantity data of the project, the appraised value is presented as the book value in this valuation.

(VIII) Ownership information is incomplete or defective:

1. As of the valuation benchmark date, Zhongxiang City Zhongji Port Development Co., Ltd. has not yet obtained the port operation permit. The impact of this matter on the valuation conclusion was not considered in this valuation, to which users of the valuation report are advised to pay attention.
2. The approval of the shoreline is a precondition for the construction of the terminal. The 390-meter shoreline of Shipai Port (石牌港) was declared and approved by the original Shipai Port Construction Headquarters (石牌港建設指揮部) to the Ministry of Transport, and the property rights could not be transferred. The impact of the shoreline of the terminal on the valuation conclusion was not considered in this valuation, to which users of the valuation report are advised to pay attention.
3. The core asset of Zhongxiang City Zhongji Port Development Co., Ltd. is the dock platform acquired through asset transfer and not self-built. Only the as-built drawings of the project have been provided in this valuation. In addition, the land occupied by Zhongxiang Port has no property right certificate. According to the statement issued and sealed by Zhongxiang City Zhongji Port Development Co., Ltd. on 15 March 2016, Zhongxiang Shipai Port (鐘祥石牌港) and Wuhan Dongfang Construction (武漢東方建設) signed the *Construction Contract of the Comprehensive Terminal Land Stacking Yard Supporting Project at Jingmen Zhongxiang Port* (《荊門市鐘祥港綜合碼頭陸域堆場配套工程施工承包合同》), pursuant to which Xie Bingmu, the then legal person of the company, decided to develop 70 mu of tidal flat outside the Hanjiang River embankment as a temporary yard for the terminal. The 70 mu of tidal flat land was self-construction in nature and had no property rights. The impact of the land use right on the valuation conclusion was not considered in this valuation, to which users of the valuation report are advised to pay attention.

(IX) Limitations of the valuation procedures, remedial measures taken by the valuation institution and the impact on the valuation conclusion:

1. In the valuation, the asset appraisers have not conducted any technical examination of the technical parameters and performance of the various equipment on the valuation benchmark date. The asset appraisers have made judgement based on on-site inspections and the assumption that the relevant technical information and operating records provided by the appraised entity are true and valid.
2. In the valuation, the asset appraisers have not conducted technical inspection to the concealed works and interior structures (which cannot be observed directly by eyes) of buildings and structures. After on-site investigation, the valuation conclusion of buildings and structures has been drawn without the assistance of measuring instruments but on the assumption that the relevant project information provided by the appraised entity is true and valid.

(X) The client and the appraised entity provided the following audit report, as follows:

Institution name	Report name	Report code	Issue date	Audit opinion
Beijing Guofu Certified Public Accountants (Special General Partnership) Hubei Branch (北京國富會計師事務所(特殊普通合夥)湖北分所)	Special Audit Report on Assets, Liabilities and Owners' Equity of Zhongxiang City Zhongji Port Development Co., Ltd. on 30 September 2023 (鐘祥市中基港口發展有限公司2023年9月30日資產、負債及所有者權益專項審計報告)	Guo Fu E Zhuan Zi [2023] No. 42021002 Unqualified Opinion	6 November 2023	Unqualified opinion

The aforesaid audit report is one of the important valuation bases of this asset valuation report, and any distortion of the aforesaid report will affect the valuation conclusion.

XIII. STATEMENT OF LIMITATION ON THE USE OF THE ASSET VALUATION REPORT

- (I) This valuation report can only be used for the purpose and use specified herein;
- (II) If the client or other users of the asset valuation report fail to use the asset valuation report in accordance with the laws, administrative regulations and the scope of use specified in the asset valuation report, the asset valuation institution and its asset appraisers shall not be liable;
- (III) Except for the client, other users of the asset valuation report as contracted in the asset valuation entrustment contract and users of the asset valuation report as prescribed by the laws and administrative regulations, no other institution or individual shall be a user of the asset valuation report;
- (IV) The users of the asset valuation report shall correctly understand the valuation conclusion, which is not equivalent to the realizable price of the valuation target, and the valuation conclusion shall not be deemed as a guarantee for the realizable price of the valuation target. This valuation opinion shall be only used as a reference for the value of the transaction conducted by users of the asset valuation report, and cannot replace the decision of the users of the asset valuation report on the transaction price.

- (V) This asset valuation report can be used officially only after being signed by the asset appraisers undertaking this valuation and affixed with the common seal of the valuation institution, and filed with the state-owned assets supervision and administration authority or the funded enterprise.
- (VI) If all or part of the contents of the asset valuation report are extracted, quoted or disclosed in the public media, the valuation institution shall review the relevant contents, unless otherwise provided by laws, regulations or agreed among relevant parties;
- (VII) The valuation conclusion revealed in this valuation report is only valid for the economic behavior corresponding to the project, and the validity period of the asset valuation conclusion shall be one year from the valuation benchmark date, namely, from the valuation benchmark date (being 30 September 2023) to 29 September 2024. When the purpose of the valuation is realized within the validity period, the valuation conclusion should be used as the reference basis for the value, subject to adjustments to matters subsequent to the valuation benchmark date. The asset valuation should be renewed after more than a year.

XIV. DATE OF THE ASSET VALUATION REPORT

The date of this asset valuation report is 24 November 2023.

The following is the full text of the letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from ValQuest Advisory (Hong Kong) Limited, an independent valuer, in connection with the valuation of the property to be disposed by the Company as of 30 September 2023.



ValQuest Advisory (Hong Kong) Limited

Flat 02, 25th Floor
Railway Plaza,
39 Chatham Road South
Tsim Sha Tsui
Kowloon
Hong Kong SAR
Tel: +852 2180 6460

www.valquestadvl.com

29 December 2023

The Board of Directors

China Infrastructure & Logistics Group Ltd.

Unit A, 7th Floor
On Hing Building
No. 1 On Hing Terrace
Central
Hong Kong

Re: Valuation of dock platforms (including the ramps) and the temporary yards of Zhongxiang Port, Shipai Town, Zhongxiang, Jingmen City, Hubei Province, the People's Republic of China (the "Property")

Instructions, purpose and valuation date

We refer to the instructions from China Infrastructure & Logistics Group Ltd. (the "**Company**") to value the Property (as more particularly described in the attached valuation report) which is held by Zhongxiang City Zhongji Port Development Co., Ltd. (鐘祥市中基港口發展有限公司) and which the Company propose to dispose of in the People's Republic of China (the "**PRC**"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as of 30 September 2023 (the "**Valuation Date**").

Basis of value

The Property was valued on the basis of ‘market value’ which is defined under The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (HKIS) as ‘the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion’.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that the valuation and report were undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; The HKIS Valuation Standards 2020 (effective from 31 January 2020) published by HKIS; and The RICS Valuation – Global Standards incorporating the IVSC International Valuation Standards (effective from 31 January 2022) published by the Royal Institution of Chartered Surveyors.

General valuation assumptions

In the course of our valuation, we have assumed the owner of the Property possesses legal ownership to the Property, and has free and uninterrupted rights to use, occupy or assign the Property.

We have further assumed that all consents, approvals and licenses from the relevant government authorities for the development of the Property have been obtained, and that the design, construction and occupation of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, deferred term contract, sale and leaseback arrangements, joint venture, management agreement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuation methodology

Due to the specific nature of the structures of the Property which there is no readily identifiable market comparable sale or rental data, we have valued the Property using the depreciated replacement cost method.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the current cost of replacement of the existing improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the Property is subject to adequate potential profitability of the business.

The key inputs for the depreciated replacement cost method are the adopted unit replacement costs and the estimated total useful lives of the Property. In the course of our valuation, we gathered construction cost data pertaining to the Property, and refer to average useful life data published by reputable market sources. Please refer to the valuation report section for further details.

Nature and source of information

We have relied to a considerable extent on the information provided by the Company in respect of the Property, and have accepted advice on such matters as identification of the Property, year of completion, occupancy status, planning approvals, statutory notices, easements and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information furnished to us by the Company. We have also sought confirmation from the Company that no material factor has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title investigation

We have been provided with extracts of the documents and approvals pertaining to the Property, and have made relevant enquiries where applicable. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Company.

Site inspection

We have inspected the exterior and, where possible, the interior of the Property. During the course of our inspection, we noted that the Property appeared to be in a generally reasonable state of repair commensurate with its age and use. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are, however, unable to report whether the Property is free of rot, infestation or any other structural defect as we are not qualified structural engineers who could advise on those. No test was carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the dimensions or areas in respect of the Property, but have assumed that those information handed to us by the Company is correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Currency & exchange rates

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Confirmation of independence

We hereby confirm that ValQuest Advisory (Hong Kong) Limited and the undersigned have no pecuniary or other interest that would conflict with the proper valuation of the Property, or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Our valuation is summarised below and the valuation report is attached.

Yours faithfully, for and on behalf of
ValQuest Advisory (Hong Kong) Limited
Norris Z. Y. Nie
MCIREA MRICS MHKIS
Managing Director

Note: Mr. Norris Nie is a member of the China Institute of Real Estate Appraiser, a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 25 years of experience in the professional property valuation and advisory services in the Mainland China, Hong Kong and other overseas countries.

SUMMARY OF VALUE**Group I – Property to be disposed of by the Group in the PRC**

No	Address	Market value in existing state as at 30 September 2023 RMB
1.	Dock platforms (including the ramps) and the temporary yards of Zhongxiang Port Shipai Town Zhongxiang Jingmen City Hubei Province	113,460,000
		<hr/> Total: 113,460,000 <hr/>

VALUATION REPORT

Group I – Property to be disposed of by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 30 September 2023 RMB
1. Dock platforms (including the ramps) and the temporary yards of Zhongxiang Port Shipai Town Zhongxiang Jingmen City Hubei Province The PRC	<p>The Property comprises dock platforms (including the ramps) and the temporary yards located in Zhongxiang Port of Zhongxiang, which is county-level city of Hubei Province. The Property was completed in December 2016.</p> <p>The dock platforms of the Property were built along the 390-metre coastline of Zhongxiang Port, accommodating four 1,000-ton berths. The dock platforms span for a total depth of 24 metres.</p> <p>The yards include a 13,000-square metre area for empty container storage, and another 18,000-square metre area for loaded container storage, respectively. The yards span for a total length of 370 metres and a total width of 95 metres.</p> <p>Hanjiang Zhongxiang Port is a comprehensive modern port area integrating port, logistics park and industrial park. The total coastline of the port area is around 15 kilometers, and the total planned area of the port is 25 square kilometers. The port is designed to accommodate 21 1,000-tonne berths and has a planned annual throughput capacity of 20 million tons. The Port is around 330 kilometers from Hankou.</p>	The Property was occupied by Zhongxiang City Zhongji Port Development Co., Ltd. for its business operation as of the Valuation Date.	113,460,000

Notes:–

- (1) According to an approval document – Yue Fa Gai Jiao Tong (2012) Document No. 800 (鄂發改交通 (2012) 800號文件) issued by Hubei Province Development and Reform Commission; and another approval document – Jiao Gui Hua Fa [2013] Document No. 312 (交規劃發[2013] 312號文件) issued by the Ministry of Transport of Hubei Province, the dock platforms of the Property were permitted to be constructed based on the approved feasibility study.
- (2) The yards of the Property were constructed in 2016 to serve the business needs of Zhongxiang City Zhongji Port Development Co., Ltd. for its business operation.
- (3) In our valuation, we have estimated the current replacement cost of the Property to be around RMB117,320,000 (excluding the VAT), which was derived with reference to the prevailing construction costs of similar projects. We then considered ancillary fees including the preliminary fees and finance costs, such that the total replacement cost new of the Property is estimated to be around RMB129,450,000.
- (4) We adopted an estimated total useful life of 50 years for the docks and platforms; and 30 years for the yards, respectively, which are derived with reference to the guidelines set out in “Common Valuation Methods and Parameters for Asset Valuations (資產評估常用方法與參數手冊)”. The straight-line depreciation method was adopted in deriving the depreciated replacement cost of the Property (based on its actual age) as of the Valuation Date.
- (5) The Property was inspected by Shi Tie-gang, a registered valuer with 20 years of real estate valuation experience on 14 December 2023.

1. 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 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.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

- (i) none of the Directors had any interest, direct or indirect, in any assets which have 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 since 31 December 2022, the date to which the latest published audited financial statement of the Group was made up;
- (ii) no Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

- (iii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name	Capacity	Long position/ Short position	Number of the Company's Shares held (Note 1, 2)	Approximate percentage of total number of Shares in issue (Note 3)
Hubei Port	Beneficial owner	Long position	1,293,429,911	74.98%
Mr. Wang Kaiwei	Beneficial owner	Long position	132,312,615	7.67%
Zall Holdings Company Limited	Interest of controlled corporation Beneficial owner	Long position	86,428,000	5.01%

Notes:

- Hubei Port is wholly owned by Hubei Port Group Company Limited* (湖北港口集團有限公司 (formerly known as "Wuhan Port and Shipping Development Group Co., Ltd.* (武漢港航發展集團有限公司)" and "湖北省港口集團有限公司")), which in turn are owned as to approximately 82.8571% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government* (武漢市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Xianning Municipal People's Government* (咸寧市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Ezhou Municipal People's Government* (鄂州市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huanggang Municipal People's Government* (黃岡市人民政府國有資產監督管理委員會) and approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government* (黃石市人民政府國有資產監督管理委員會).
- Based on 1,725,066,689 shares of the Company in issue as at the Latest Practicable Date.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

5. SERVICE CONTRACTS OF THE DIRECTORS

- (a) Each of Ms. Zhou Wei and Mr. Xu Aoling has entered into a letter of appointment with the Company for an initial term of 3 years which commenced on 25 May 2022 at nil salary. Such letters of appointment shall continue until terminated by either party giving to the other not less than two month's notice.
- (b) Each of Mr. Fu Xinping and Mr. Chau Kwok Keung has entered into a letter of appointment with the Company for an initial term of 3 years which commenced on 25 May 2022 at a monthly salary of HK\$13,333 and HK\$25,000 respectively. Such letters of appointment shall continue until terminated by either party giving to the other not less than two month's notice.
- (c) Mr. Qiao Yun has entered into a service contract with the Company for an initial term of 3 years which commenced on 25 May 2022 at a monthly salary of HK\$30,000. Such service contract shall continue until terminated by either party giving to the other not less than three month's notice or three months' payment in lieu of notice.
- (d) Mr. Li Wei has entered into a service contract with the Company for an initial term of 3 years which commenced on 28 June 2023 at nil salary. Such service contract shall continue until terminated by either party giving to the other not less than two month's notice.
- (e) Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Company since 31 December 2022, the date to which the latest published audited financial statements of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Beijing Renda Real Estate and Land Assets Appraisal Co., Ltd.* (北京仁達房地產土地資產評估有限公司)	an independent certified PRC valuer
ValQuest Advisory (Hong Kong) Limited	an independent professional valuer

As at the Latest Practicable Date, each of Rainbow Capital, the Asset Valuer and the Property Valuer was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Each of Rainbow Capital, the Asset Valuer and the Property Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

As at the Latest Practicable Date, each of Rainbow Capital, the Asset Valuer and the Property Valuer has not, or has not had, direct or indirect interest in any assets which have 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 since 31 December 2022, the date to which the latest published audited financial statement of the Group was made up.

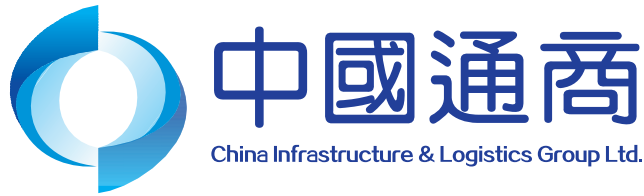
9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cilgl.com/>) for a period of 14 days from the date hereof:

- (a) the Equity Transfer Agreement;
- (b) the Asset Valuation Report;
- (c) the Property Valuation Report;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 10 of this circular;

- (e) the letter from Rainbow Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 26 of this circular;
- (f) the letters of consent referred to under the paragraph headed “Experts and Consents” of this appendix; and
- (g) a copy of each of the Director ’s service contracts/letters of appointment that the Company has entered into with Ms. Zhou Wei, Mr. Xu Aoling, Mr. Li Wei, Mr. Fu Xinping, Mr. Chau Kwok Keung and Mr. Qiao Yun.

NOTICE OF EGM



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 extraordinary general meeting (the “EGM”) of China Infrastructure & Logistics Group Ltd. (the “Company”) will be held at 10:00 a.m. on 19 January 2024 (Friday) at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution.

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the circular (the “Circular”) of the Company dated 29 December 2023 containing the details in relation to the resolution herein below.

ORDINARY RESOLUTION

“**THAT:**

The signing, performance and implementation of the Equity Transfer Agreement are hereby considered, recognised, confirmed and approved; and any one of the Directors of the Company be and is hereby authorised to execute for and on behalf of the Company all such other documents, instruments and agreements, and to take all steps necessary or expedient to implement and/or give effect to the Equity Transfer Agreement; any member of the Group (including those newly established or invested through equity acquisition or other organisations) be and is hereby approved to, in its absolute discretion deemed appropriate or expedient and in the interests of the Company and the shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform all documents in connection with the Equity Transfer Agreement (including but not limited to the specific agreement contemplated under the Equity Transfer Agreement) and proceed with all things and actions necessary for executing and implementing the Equity Transfer Agreement.”

By order of the Board
China Infrastructure & Logistics Group Ltd.
Ms. Zhou Wei
Executive Director and Chairman

Hong Kong, 29 December 2023

NOTICE OF EGM

Notes:

1. 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.
2. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. 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.
4. 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 16 January 2024 (Tuesday) to 19 January 2024 (Friday) (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 15 January 2024 (Monday).

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