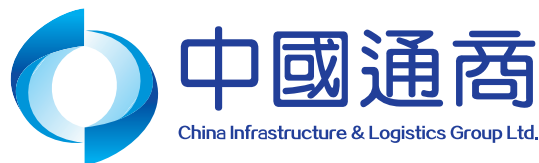

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult 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. (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**CONNECTED TRANSACTIONS
PROVISION OF CONSTRUCTION SERVICES
RE-ELECTION OF DIRECTOR
AND
NOTICE OF EGM**

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



Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 18 of this circular and a letter from the Independent Board Committee of the Company is set out on page 19 to 20 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 34 of this circular.

A notice convening the EGM to be held at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 5 December 2019 at 10:30 a.m. is set out on pages 39 to 41 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, 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 the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish.

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DEFINITIONS

In this circular (other than in the notice of the EGM and the accompanying form of proxy), unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement dated 17 October 2019 issued by the Company relating to, amongst other things, the Construction Contracts
“Articles of Association”	the articles of association of the Company as may be amended and restated from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day on which banks in Hong Kong are open for business in the ordinary course, other than public holidays, Saturdays and Sundays
“Company”	China Infrastructure & Logistics Group Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1719)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the Luotian Construction Contract and the Xiaogan Construction Contract
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 5 December 2019 at 10:30 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving the Construction Contracts and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Construction Price Lists”	the applicable price lists issued by the Department of Housing and Urban-Rural Development of Hubei Province, the PRC* (湖北省住房和城鄉建設廳) which provide for the estimated expected quantities of materials to be used in a construction project and prescribe the basis for determining the base unit price that may be charged in respect of construction works to be conducted in Hubei Province, the PRC and were published on the relevant governmental websites and updated from time to time
“Hubei Dabeishan”	Hubei Dabeishan Cultural Tourism Development Company Limited* (湖北大別山文化旅遊開發有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan and his associate
“Hubei Price Adjustment Policies”	the applicable price adjustment policies issued by the Department of Housing and Urban-Rural Development of Hubei Province, the PRC* (湖北省住房和城鄉建設廳) and/or the relevant municipal departments regulated by it which provide for the circumstances and mechanisms for adjustment of the base unit price of the construction works conducted in Hubei Province, the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, namely, Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick established for the purpose of advising the Independent Shareholders in respect of the Construction Contracts and the transactions contemplated thereunder
“Independent Financial Adviser”	Sorrento Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Construction Contracts and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	Shareholders who are not interested in the Construction Contracts and are not required under the Listing Rules to abstain from voting at the EGM to approve the Construction Contracts and the transactions contemplated thereunder
“Latest Practicable Date”	14 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luotian Construction Contract”	the construction contract dated 17 October 2019 entered into between Zhongji Tongshang Construction and Hubei Dabeishan with regard to the appointment of Zhongji Tongshang Construction as the main contractor for the provision of construction services for the Luotian Project
“Luotian Contract Sum”	RMB50,327,100 (equivalent to approximately HK\$55,359,810), being the total value of the construction services provided by Zhongji Tongshang Construction under the Luotian Construction Contract
“Luotian Project”	the construction of residential structures number 7 to 15 and commercial structures C1, C3 and C5 and a performance stage B13 at Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC* (中國湖北省黃岡市羅田縣勝利鎮S309 省道巴源河大橋西北)
“m ² ”	square metre
“Mr. Peng”	Mr. Peng Chi (彭池), the co-chairman of the Board and an executive Director of the Company
“Mr. Yan”	Mr. Yan Zhi (閻志), the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction

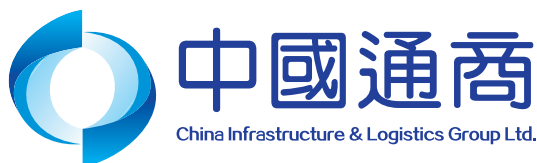
DEFINITIONS

“PRC”	the People’s Republic of China which, for the sole purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiaogan Construction Contract”	the construction contract dated 17 October 2019 entered into between Zhongji Tongshang Construction and Zall (Xiaogan) with regard to the appointment of Zhongji Tongshang Construction as the main contractor for the provision of construction services for the Xiaogan Project
“Xiaogan Contract Sum”	RMB189,672,400 (equivalent to approximately HK\$208,639,640), being the total value of the construction services provided by Zhongji Tongshang Construction under the Xiaogan Construction Contract
“Xiaogan Project”	the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial buildings (both 3-storey or below) at Yangdian Town, Xiaogan City, Hubei Province, the PRC* (中國湖北省孝感市楊店鎮)
“Zall (Xiaogan)”	Zall Development (Xiaogan) Limited* (卓爾發展(孝感)有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan
“Zhongji Tongshang Construction”	Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程(武漢)有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

* For identification purpose only

LETTER FROM THE BOARD



China Infrastructure & Logistics Group Ltd.

中國通商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1719)

Executive Directors:

Mr. Peng Chi (Co-chairman)

Mr. Xie Bingmu

Mr. Zhang Jiwei

Registered office:

P.O. Box 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

Non-executive Directors:

Mr. Yan Zhi (Co-chairman)

Mr. Lei Dechao (Vice chairman)

*Head office and principal place of
business in Hong Kong:*

Suite 2101, 21/F., Two Exchange
Square

8 Connaught Place

Central

Hong Kong

Independent non-executive Directors:

Mr. Lee Kang Bor, Thomas

Dr. Mao Zhenhua

Mr. Wong Wai Keung, Frederick

18 November 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS
PROVISION OF CONSTRUCTION SERVICES
AND
RE-ELECTION OF DIRECTOR**

INTRODUCTION

Connected Transactions

Reference is made to the Announcement. On 17 October 2019, Zhongji Tongshang Construction (an indirect wholly-owned subsidiary of the Company) entered into the Luotian Construction Contract and the Xiaogan Construction Contract with Hubei

LETTER FROM THE BOARD

Dabeishan and Zall (Xiaogan), respectively, pursuant to which each of Hubei Dabeishan and Zall (Xiaogan) agreed to engage Zhongji Tongshang Construction, and Zhongji Tongshang Construction agreed to act, as the main contractor for the provision of construction services for the Luotian Project and the Xiaogan Project, respectively. The Construction Contracts constitute connected transactions of the Company.

Re-election of Director

Reference is also made to the announcement of the Company dated 10 September 2019 in relation to, among other things, the appointment of Mr. Peng Chi as an executive Director and co-chairman of the Board with effect from 10 September 2019.

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board as a Director to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Peng will retire and, being eligible, offer himself for re-election at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Construction Contracts; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) details of the Director proposed to be re-elected; (v) the notice of the EGM; and (vi) other information as set out in appendix to this circular as required by the Listing Rules.

THE CONSTRUCTION CONTRACTS

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

1. The Luotian Construction Contract

- Date: 17 October 2019
- Parties: (a) Hubei Dabeishan; and
- (b) Zhongji Tongshang Construction.

LETTER FROM THE BOARD

Scope of service:	To undertake, among other things, the construction of residential structures number 7 to 15 and commercial structures C1, C3 and C5 and a performance stage B13 (except for works specifically listed out in the Luotian Construction Contract to be subcontracted to third parties by Hubei Dabeishan) and be responsible for the overall project planning and management, and the engagement and management of subcontractors and other personnel in connection with the Luotian Project
Project location:	Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC* (中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北)
Total construction area:	Approximately 42,421m ² (of which approximately 37,390m ² for residential structures, 4,919m ² for commercial structures and 112m ² for the performance stage, respectively)
Base unit price:	RMB1,160 per m ² for residential structures; RMB1,300 per m ² for commercial structures; and RMB5,000 per m ² for the performance stage
Contract sum:	RMB50,327,100 (equivalent to approximately HK\$55,359,810)
Estimated commencement date of construction:	28 November 2019
Term:	Two years from the commencement date of construction

LETTER FROM THE BOARD

Payment term: The Luotian Construction Contract classified construction works undertaken by Zhongji Tongshang Construction into four categories, namely (i) major structure construction; (ii) secondary structure construction; (iii) exterior construction; and (iv) other ancillary construction works.

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

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

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

LETTER FROM THE BOARD

2. The Xiaogan Construction Contract

Date:	17 October 2019
Parties:	(c) Zall (Xiaogan); and (d) Zhongji Tongshang Construction.
Scope of service:	To undertake, among other things, the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial structures (both 3-storey or below) (except for works specifically listed out in the Xiaogan Construction Contract to be subcontracted to third parties by Zall (Xiaogan)) and be responsible for the overall project planning and management, and the engagement and management of subcontractors and other personnel in connection with the Xiaogan Project.
Project location:	Yangdian Town, Xiaogan City, Hubei Province, the PRC* (中國湖北省孝感市楊店鎮)
Total construction area:	Approximately 111,572m ² (of which approximately 80,000m ² for commercial structures and 31,572m ² for residential structures)
Base unit price:	RMB1,700 per m ²
Contract sum:	RMB189,672,400 (equivalent to approximately HK\$208,639,640)
Estimated commencement date of construction:	28 November 2019
Term:	Two years from the commencement date of construction

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

Basis of determining the total contract sum

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

For the Luotian Construction Contract, the base unit price was RMB1,160 per m² for residential structures, RMB1,300 per m² for commercial structure; and RMB5,000 per m² for the performance stage, respectively. The variations in the base unit price for different structures reflected the difference in costs for constructing the three types of structures in accordance with the specifications and instructions of Hubei Dabeishan.

For the Xiaogan Construction Contract, the scope of work to be performed and the specifications of structures to be constructed were different from that in the Luotian Construction Contract. The base unit price was RMB1,700 per m² for both residential and commercial structures as the estimated total cost, including material and labour costs, for performing the scope of work for both types of structures were similar in the Xiaogan Construction Contract, notwithstanding their intended usages being different.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACTS

The Company has diversified and expanded into the property business and supply chain management and trading business in recent years. Due to the continuing intensified competitive business environment, the revenue and growth for the property business and supply chain management and trading business has remained stable. As part of the strategy to further diversify the Group's business portfolio, the Company has been planning to expand into construction industry by acquiring Zhongji Tongshang Construction in January 2017, which has possessed the necessary licences, to explore new opportunities and act as

LETTER FROM THE BOARD

a main contractor in construction projects in the PRC. The Company has also appointed Mr. Zhang Jiwei, the head of the City Design Bureau of Huang Gang City from 1982 to 1997, in October 2016 and Mr. Peng Chi, who has over 20 years of experience in real estate development and management of large-scale infrastructure constructions in the PRC, in September 2019, respectively, as executive Directors of the Company. The Board believes that the Group is well-equipped in both human and financial resources to further expand into construction industry and the entering into of the Construction Contracts allows the Group to accumulate experience in the construction industry, widen its business portfolio and enhance its competitiveness in market.

INTERNAL CONTROL

The Group has adopted the following internal control measures in relation to the Construction Contracts:

- (a) The project manager will closely monitor the actual progress of work under the Construction Contracts and the certification by the independent surveyor to ensure that the fees receivable by Zhongji Tongshang Construction are in line with the Construction Contracts. Reports will be promptly made to the Company's management when issues are identified and follow-up measures will be taken immediately.
- (b) The management of the Company will closely monitor the provision of construction services under the Construction Contracts to ensure compliance with the Construction Contracts.
- (c) The management of the Company will report the status and progress of the construction services provided under the Construction Contracts to the audit committee of the Company regularly.
- (d) The management of the Company will consider and make reference to similar construction contracts at the same districts and in the Hubei Province, the PRC to ensure the terms and base unit prices in the Construction Contracts are on normal commercial terms or better and in line with industry practice.
- (e) The management of the Company will review each payment to be received by Zhongji Tongshang Construction pursuant to the Construction Contracts to ensure each payment is calculated in accordance with the basis of determining the contract sum as adopted by the Group.

LETTER FROM THE BOARD

- (f) The management of the Company will regularly monitor the relevant price adjustment policies to be published and updated by the governmental authorities and make necessary adjustments to the base unit prices in the Construction Contracts to reflect changes in governmental guidelines and prevailing market rates.
- (g) The independent non-executive Directors will conduct regular review on the Construction Contracts to ensure the transactions contemplated thereunder were entered into by the Group in the ordinary and usual course of business, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.
- (h) The Board will oversee the Company's risk management and internal control systems in relation to the Construction Contracts on an ongoing basis and the Board will, through the audit committee of the Company, conduct regular review of the risk management and internal control systems of the Company.

LISTING RULES IMPLICATIONS

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

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

Save as disclosed above, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, none of the Shareholders and any of their respective close associates has any material interest in the Construction Contracts and is required to abstain from voting in respect of the ordinary resolution to approve the same.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANIES

The Company

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

Zhongji Tongshang Construction

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

Hubei Dabeishan

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

Zall (Xiaogan)

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

RE-ELECTION OF DIRECTOR

Reference is also made to the announcement of the Company dated 10 September 2019 in relation to, among other things, the appointment of Mr. Peng Chi as an executive Director and co-chairman of the board with effect from 10 September 2019.

LETTER FROM THE BOARD

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board as a Director to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Peng will retire and, being eligible, offer himself for re-election at the EGM.

An ordinary resolution will be proposed at the EGM for the Shareholders to consider, and if thought fit, to approve the re-election of Mr. Peng as an executive Director. The followings are biography details of Mr. Peng.

Mr. Peng Chi

Mr. Peng Chi (彭池), aged 56, has over 20 years of experience in real estate development and management of large-scale infrastructure constructions in the PRC. Mr. Peng obtained a bachelor's degree in History and Literature from Hubei University in July 1984 and a doctoral degree in History from Wuhan University in 2014. Mr. Peng served as a general manager of Hubei Jingdong Highway Construction and Development Co., Ltd.* (湖北荊東高速公路建設開發有限公司) from May 2004 to December 2006. He has served as a chairman of Ramada Hotel Xiamen Co., Ltd.* (廈門華美達長升大酒店有限公司) since May 1999; Wuhan Tianshi Property Development Co., Ltd.* (武漢市天時物業發展有限公司) since May 2004; and Hubei E'dong Yangtze River Highway Bridge Co., Ltd.* (湖北鄂東長江公路大橋有限公司) since January 2008. Mr. Peng had been appointed as an independent non-executive director of Zall Smart Commerce Group Ltd. (stock code: 2098) from June 2011 to April 2016 and was re-designated as an executive director from April 2016 to July 2018, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Peng has entered into a service agreement with the Company for a term of three years. The service agreement may be terminated by either party by written notice of not less than three months. Mr. Peng is entitled to an annual remuneration of RMB1,000,000 (including a director's fee of RMB500,000) and discretionary bonus, which is determined by the Board with reference to his duties and responsibilities, the prevailing market conditions and the recommendation from the remuneration committee of the Company.

Save as disclosed above, Mr. Peng did not hold any other position in the Group and did not hold any directorship in any other listed companies in Hong Kong or overseas in the last three years. Mr. Peng has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Peng does not have any interest in the Shares within the meaning of Part XV of the SFO.

LETTER FROM THE BOARD

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

EGM

A notice convening the EGM to be held at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 5 December 2019 at 10:30 a.m. is set out on pages 39 to 41 of this circular. An ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve, inter alia, the Construction Contracts and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution will be put to vote by way of poll at the EGM. Any announcement on the result of the vote by poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, 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 the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Voting

As at the Latest Practicable Date, Mr. Yan is interested in 1,290,451,130 Shares, representing approximately 74.81% of the entire issued share capital of the Company. As both Hubei Dabeishan and Zall (Xiaogan) are indirect wholly-owned subsidiaries of Mr. Yan and his associates, by reason of the requirements of the Listing Rules, Mr. Yan and his associates will abstain from voting in the EGM. Save for Mr. Yan and his associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Contracts such that he or she or it is required to abstain from voting on the resolution approving the Construction Contracts and the transactions contemplated thereunder.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders who are entitled to attend and vote at the EGM or any adjournment thereof, the register of members of the Company will be closed from Monday, 2 December 2019 to Thursday, 5 December 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 29 November 2019.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Construction Contracts, the transactions contemplated thereunder and as to voting.

Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of Construction Contracts and the transactions contemplated thereunder.

RECOMMENDATION

The Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that the Construction Contracts are in the ordinary and usual course of business of the Group and the terms of the Construction Contracts and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolution in respect of the Construction Contracts and the transactions contemplated thereunder to be proposed at the EGM.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick whose opinion and recommendation are set out in the letter from the Independent Board Committee on pages 19 and 20 of this circular, but excluding Mr. Yan who have abstained from voting on the relevant board resolutions) consider that the Construction Contracts are in the ordinary and usual course of business of the Group and the terms of the Construction Contracts and the transactions contemplated thereunder were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Construction Contracts and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and as such, it recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Construction Contracts and the transactions contemplated thereunder at the EGM.

The Directors are of the opinion that the re-election of Director is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the re-election of Mr. Peng as an executive Director.

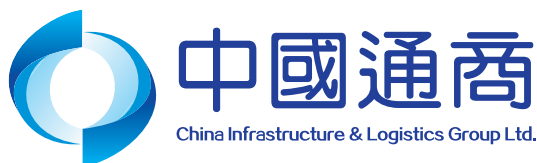
GENERAL

Completion is subject to the necessary approval of the Construction Contracts and the transactions contemplated thereunder having been obtained from the Independent Shareholders. As such, the Construction Contracts may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the letter from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser; and (iii) the appendix to this circular.

Yours faithfully,
On behalf of the Board
China Infrastructure & Logistics Group Ltd.
Yan Zhi
Co-chairman



China Infrastructure & Logistics Group Ltd.

中國通商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1719)

18 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROVISION OF CONSTRUCTION SERVICES**

We refer to the circular of China Infrastructure & Logistics Group Ltd. (the “**Company**”) dated 18 November 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the Construction Contracts are in the ordinary and usual course of business of the Group, whether the terms of the Construction Contracts and the transactions contemplated thereunder (details set out in the Letter from the Board in the Circular) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and whether the Construction Contracts and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Sorrento Capital Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the same.

Having considered the information set out in the letter from the Board as well as the major factors, reasons and opinion stated in the letter of advice from the Independent Financial Adviser, we are of the view that the Construction Contracts are in the ordinary and usual course of business of the Group, the terms of the Construction Contracts and the transactions contemplated thereunder are on normal commercial terms and fair and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

reasonable so far as the Independent Shareholders are concerned. We also believe that the Construction Contracts and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Construction Contracts and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee of
China Infrastructure & Logistics Group Ltd.
Lee Kang Bor, Thomas, Mao Zhenhua and Wong Wai Keung, Frederick
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared in respect of the Construction Contracts for the purpose of inclusion in this circular.



11/F,
The Wellington,
198 Wellington Street,
Central,
Hong Kong

18 November 2019

*The Independent Board Committee and the Independent Shareholders of
China Infrastructure & Logistics Group Ltd.*

Dear Sirs,

CONNECTED TRANSACTIONS PROVISION OF CONSTRUCTION SERVICES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Construction Contracts, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 November 2019 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATION UNDER THE LISTING RULES

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

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

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, has been established to advise the Independent Shareholders as to (i) whether the terms of the Construction Contracts have been determined on a fair and reasonable basis and entered into on normal commercial term and in the ordinary and usual course of business of the Company and in the interest of the Company and Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Construction Contracts. We, Sorrento Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are independent pursuant to Rule 13.84 of the Listings Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Contracts. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the Construction Contracts; (ii) the annual reports of the Company for each of the two years ended 31 December 2018 (the “**2017 Annual Report**” and “**2018 Annual Report**”, collectively, the “**Annual Reports**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and/or the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors and the management of the Company have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. 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 Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the management of the Company, Zhongji Tongshang Construction, Hubei Dabeishan and Zall (Xiaogan), nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, Zhongji Tongshang Construction, Hubei Dabeishan and Zall (Xiaogan) and any of their respective subsidiaries and associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background information of the parties to the Construction Contracts

Information of the Company

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

The audited consolidated financial information of the Group for the three years ended 31 December 2018, as extracted from the 2017 Annual Report and 2018 Annual Report, are summarised as follows:

	For the year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	207,032	234,446	262,505
Profit for the year	76,465	76,176	79,217

As stated in the 2017 Annual Report, the Group's revenue amounted to HK\$234.45 million for the year ended 31 December 2017, representing an increase of 13.2% as compared to 2016. The increase was mainly due to the offsetting effect of (i) the increase in revenue of HK\$8.58 million in port and warehouse leasing income of the property business of the Hannan Port; (ii) the revenue of HK\$18.77 million from the supply chain management and trading business which commenced operation in early 2017; (iii) the increase of HK\$4.16 million in terminal service business and the decrease of HK\$6.15 million in container handling, storage & other service as the increase in containers handled was offset by the drop in overall tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; and (iv) the increase in revenue of HK\$1.06 million in the integrated logistics service business.

As stated in the 2018 Annual Report, the Group's revenue amounted to HK\$262.51 million for the year ended 31 December 2018, representing an increase of 12.0% as compared to 2017. The increase was mainly due to (i) the increase in revenue of HK\$12.35 million from the terminal service business and the increase of HK\$0.85 million in container handling, storage & other service as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness; (ii) the increase in revenue of HK\$5.24 million from the supply chain management and trading business of the Hannan Port which commenced the automobile and corn trading business in 2018; and (iii) increase in revenue of HK\$7.21 million in the integrated logistics service business contributed from freight forwarding services provided by the Shayang Port and the Shipai Port.

According to the 2017 Annual Report and 2018 Annual Report, we noted that the Group commenced operation of supply chain management and trading business in early 2017 and the automobile and corn trading business in 2018.

With reference to the 2017 Annual Report, the Group acquired 100% equity interest in Zhongji Tongshang Construction on 13 January 2017. Zhongji Tongshang Construction would allow the Group to diversify its business apart from the port and related segment into the construction industry. As a main contractor in a construction project, Zhongji Tongshang Construction will be expected to act as the entity in charge of the entire project, and will be responsible for completing or outsourcing the construction works and supervising the project to ensure that it will be completed on time and within budget, and ensuring that the construction work will meet all relevant regulations and quality standards. In light of the rapid urbanisation of and urban development in the PRC, the market demand for construction is expected to be further enlarged which will benefit the Group as a whole.

In addition, we noted the profit for the year of the Group has remained stable for the three years ended 31 December 2018 as stated in the above table.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information of Zhongji Tongshang Construction

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

Information of Hubei Dabeishan

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

Information of Zall (Xiaogan)

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

2. Reasons for and benefits of entering the Construction Contracts

We have discussed with the management of the Company and was advised that the Company always strives to improve the Group's business operations and financial position by proactively seeking potential investment opportunities that would diversify the Group's existing business portfolio and broaden its source of income and enhance value to the Group and its Shareholders. According to the Annual Reports, we noted that the business portfolio of the Group was more diversified in the past few years and the increase of business portfolio is in line with the Group's business strategy.

As stated in the Letter from the Board, the Company has diversified and expanded into the property business and supply chain management and trading business in recent years. Due to the continuing intensified competitive business environment, the revenue and growth for the property business and supply chain management and trading business has remained stable. As part of the strategy to further diversify

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Group's business portfolio, the Company has been planning to expand into construction industry by acquiring Zhongji Tongshang Construction in January 2017, which possesses the necessary licenses, to explore new opportunities and act as a main contractor in construction projects in the PRC. As further advised by the management of the Company, the Group expects the demand of the construction services to substantially increase and the Construction Contracts also represents an opportunity for the implementation of the construction business by the Group. It is expected to further strengthen the Group's position in the construction industry, improve the brand awareness in the construction field, increase the market share in construction industry in the PRC and bring economic benefits to the Group.

According to the plans of 《建築業發展“十三五”規劃》(“13th Five-Year Plan for Development of Construction Industry”*) issued by the Ministry of Housing and Urban-Rural Development published in 2017, and《國家新型城鎮化規劃(2014 – 2020年)》(“National Plan of New-type Urbanisation (2014 – 2020)”*) issued by National Bureau of Statistics of China published in 2014 (together, the “**Plans**”), the development of construction industry is expected to increase by annual growth rate of 7% between 2016 to 2020 and the urban population is forecasted to reach 60.0% by 2020 while the urbanisation rate of the PRC in 2018 was 59.5%. With the increase in urban population in coming years, the demand for infrastructure development, namely transportation, water usage facilities, as well as housing will increase and hence drive the growth of the construction industry. Meanwhile, People's Government of Hubei has been and would continue to take lead in the regional development with many supportive policies and guidelines. As disclosed in 《省人民政府關於促進全省建築業改革發展二十條意見》(“20th opinions of the Provincial People's Government on promoting the reform and development of the province's construction industry”*) (the “**Opinions**”), People's Government of Hubei expected the total contracting proportion of new projects in Hubei Province will be reached over 45.0% and 80.0% by 2020 and 2025 respectively.

As stated in the Letter from the Board, the Company has also appointed Mr. Zhang Jiwei (“**Mr. Zhang**”) and Mr. Peng Chi (“**Mr. Peng**”), respectively, as executive Directors of the Company. As advised by the management of the Company, Mr. Zhang Jiwei and Mr. Peng Chi possess adequate professional qualification in undertaking the construction projects and is capable of ensuring the implementation as the engineering, procurement and construction general contractor for the projects contemplated under the Construction Contracts. In addition to the senior management's experience, we understood from the management of the Company that there are currently 20 staffs, including but not limited to general manager, project directors, project managers, engineers, administrative and accounting staffs,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the project team (the “**Project Team**”) to assist and cover various core duties and manage the coming subcontracting construction work in the Luotian Project and Xiaogan Project.

We have reviewed the biographical details of the management of the Company and understand that Mr. Zhang has been an executive director of the Company since October 2016. Mr. Zhang obtained a bachelor’s degree in industrial and civil engineering from Wuhan University of Technology in 1982 and the head of the City Design Bureau of Huang Gang City from 1982 to 1997. Mr. Zhang has over 30 years of experience in the construction engineering industry. Also, Mr. Peng has been an executive director of the Company since September 2019. Mr. Peng has over 20 years of experience in real estate development and management of large-scale infrastructure constructions in the PRC. In addition, the general manager, assistant general manager, project manager and project directors has an average over 14 years of experience in construction engineering industry. We concur with the view of the Board that the Group is well-equipped in human resources to further expand into the construction industry.

We have confirmed with the management of the Company, after the establishment of the Project Team, the Project Team commence several preparation works for the Luotian Project and Xiaogan Project, including regular meeting and forming the detailed construction plans with Hubei Dabeishan and Zall (Xiaogan), site visit and the selection on the subcontractors for specific construction by considering their machinery owned, availability of human resources and credential. As advised by the management of the Company, Project Team will be also responsible for coordination and management of the Luotian Project and Xiaogan Project and will provide monthly construction report in order to monitor the progress and have follow-up discussion with Hubei Dabeishan and Zall (Xiaogan) and the subcontractor.

Regarding the subcontracting engagement of part of the construction work after obtain consent from the Hubei Dabeishan and Zall (Xiaogan), we understood from the management of the Company that the major terms of the engagement of the subcontractors will be consistent with the engagements terms between the Group and Hubei Dabeishan and Zall (Xiaogan) respectively in order to have an enhanced control on the construction progress, cost and payment.

Having considered that (i) the Company’s business strategy to expand the Group’s portfolio; (ii) the expected growth of the construction industry according to the Plans and the Opinions; (iii) the senior management’s experience in large-scale infrastructure in the PRC with support from the Project Team; (iv) the on-going monitoring by the Project Team for Luotian Project and Xiaogan Project; (v) there

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

will be an enhanced control on the cost and operation under the further engagement of the subcontractor(s) which will be consistent with the engagements terms of the Construction Contracts; and (vi) the potential for the Group to improve its brand awareness in the construction industry, we are of the view that the entering into the Construction Contracts is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Construction Contracts

Please refer to the section headed “THE CONSTRUCTION CONTRACTS” in the Letter from the Board for the details of the terms.

Basis of determining the total contract sum

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

As there is no previous engagement between the Group and any other independent third party in relation to the construction work for comparison, for due diligence purposes, we have considered the below comparable analysis (the “**Comparables Analysis**”) in order to assess the fairness and reasonableness of the base unit price of the Construction Contracts:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Base unit price of construction projects at the same district

To the exhaustive means, we have obtained and reviewed (i) the Construction Contracts; (ii) base unit price of a construction contract entered into between Hubei Dabeishan and an independent main contractor with same construction of performance stage, residential structure and commercial structure; and (iii) base unit price of two construction contracts entered into between Zall (Xiaogan) and two independent main contractors with same construction of residential structure and commercial structure to be involved at the same district (the “**Same District Comparables**”), and noted that the base unit price for different types of construction work offered by the Group are not lower than the base unit price offered by other independent main contractors.

(b) Base unit price of other construction projects in Hubei province

Apart from the above Same District Comparables, we have further obtained and reviewed, to the exhaustive means, the base unit prices from another three sets of construction contracts entered into between connected parties of the Company and independent third parties which (i) the construction projects are located in Hubei province; and (ii) undertake the construction of performance stage, residential structure and commercial structure (the “**Same Province Comparables**”) for due diligence purposes and noted that the base unit price for those construction contracts entered into between connected parties of the Company and independent third parties are lower than that in the Construction Contracts.

(c) Base unit price of other construction projects in public reputable statistic website

We have attempted to conduct public search on the statistics published in www.gldzb.com (廣聯達指標網), a website operated under Glodon Company Limited (the shares of which are listed in Shenzhen Stock Exchange with stock code: 002410) which is a China-based software company and is also engaged in engineering cost business, engineering construction business, engineering information business and overseas business. However, as the construction price is sensitive and the public statistics are limited, there is no comparable with (i) similar construction sum; (ii) similar scale of the construction; and (iii) same district/province.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) *Base unit price prepared with reference to the relevant price lists published by governmental authorities*

We have obtained and compared the breakdown of the base unit price for each of the Construction Contracts with the Hubei Construction Price Lists and noted that the base unit price for each of the Construction Contracts are determined with reference to the Hubei Construction Price Lists.

Furthermore, we have identified below comparable companies that (i) are listed on the Stock Exchange; and (ii) indicated that their respective construction price are determined with reference to the relevant price lists published by governmental authorities in respective announcements in past three months prior to the date of Announcement.

Stock code	Company name	Date of announcement	Construction location
337	Greenland Hong Kong Holdings Limited	15 October 2019	Jiangsu Province, the PRC; Yunan Province the PRC; Guangdong Province, the PRC
1370	Aowei Holding Limited	26 July 2019	Hebei Province, the PRC

According to the result in the table above, we considered that the preparation of the estimated base unit price of the Construction Contracts with reference to the relevant price lists published by governmental authorities is not rare.

In light of the result of the Comparables Analysis, we considered that the estimated base unit price of the Construction Contracts are fair and reasonable and on normal commercial terms.

As further advised by the management of the Company, since the payment term for the Construction Contracts is by way of progress payment and independent surveyor(s) will be appointed for the certification of the progress, the Group can closely monitor the progress during each stage of the construction work. After the completion of the construction project, there may be price adjustment on the total contract sum as the base unit price may be adjusted in accordance with the price adjustment policies published by governmental authorities and the total contract sum will be calculated based on the actual construction work done. We have reviewed the Construction Contracts and noted it is consistent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment terms

As there is no previous engagement between the Group and any other independent third party and there is no detailed payment terms in public resources including www.gldzb.com (廣聯達指標網), we have selected the payment terms from the Same District Comparables and the Same Province Comparables for comparison. By comparing the payment terms of the Construction Contracts, the Same District Comparables and the Same Province Comparables, all of them adopted a progress payment method and the payment to be paid is based on different completion stages of different structures. Part of the total contract sum would also be retained as retention money and will be released after the respective quality guarantee periods. There is no material difference between the Construction Contracts and the Same District Comparables and the Same Province Comparables on the payment structure except for the different progress payment schedule, the portion of the retention money and the length of quality guarantee period. The terms of the Construction Contracts are not less favourable than the Same District Comparables and the Same Province Comparables, implying that the Company is able to receive progress payment earlier than the Same District Comparables and the Same Province Comparables under the same stage of work. As such, we consider the payment terms of the Construction Contracts are not less favourable than the Same District Comparables and the Same Province Comparables.

Taking into account that (i) the result of the Comparables Analysis; (ii) the potential adjustment of the final contract sum in accordance with the Hubei Price Adjustment Policies; and (iii) the result of the comparison with the Same District Comparables and Same Province Comparables on the payment terms, we consider the terms of the Construction Contracts are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

4. Internal control measures within the Group

As stated in the Letter from the Board, the Group has adopted the following internal control measures in relation to the Construction Contracts:

- (a) The project manager will closely monitor the actual progress of work under the Construction Contracts and the certification by the independent surveyor, to ensure that the fees receivable by Zhongji Tongshang Construction are in line with the Construction Contracts. Reports will be promptly made to the Company's management when issues are identified and follow-up measures will be taken immediately.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) The management of the Company will closely monitor the provision of construction services under the Construction Contracts to ensure compliance with the Construction Contracts.
- (c) The management of the Company will report the status and progress of the construction services provided under the Construction Contracts to the audit committee of the Company regularly.
- (d) The management of the Company will consider and make reference to similar construction contracts at the same districts and in the Hubei Province, the PRC to ensure the terms and base unit prices in the Construction Contracts are on normal commercial terms or better and in line with industry practice.
- (e) The management of the Company will review each payment to be received by Zhongji Tongshang Construction pursuant to the Construction Contracts to ensure each payment is calculated in accordance with the basis of determining the contract sum as adopted by the Group.
- (f) The management of the Company will regularly monitor the relevant price adjustment policies to be published and updated by the governmental authorities and make necessary adjustments to the base unit prices in the Construction Contracts to reflect changes in governmental guidelines and prevailing market rates.
- (g) The independent non-executive Directors will conduct regular review on the Construction Contracts to ensure the transactions contemplated thereunder were entered into by the Group in the ordinary and usual course of business, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.
- (h) The Board will oversee the Company's risk management and internal control systems in relation to the Construction Contracts on an ongoing basis and the Board will, through the audit committee of the Company, conduct regular review of the risk management and internal control systems of the Company.

Having considered (i) the internal control measures to be in place to ensure the Construction Contracts of the Company are properly controlled and monitored; (ii) the internal control measures, in particular the above points (a), (d) and (f), will be in place to ensure the Company's conformity with the pricing basis from time to time; and (iii) the ongoing review by the independent non-executive Directors of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company of the terms of the Construction Contracts, we are of the view that the Company has established effective internal control procedures to ensure the Construction Contracts will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the entering into the Construction Contracts are in the ordinary and usual course of business of the Group, the terms of the Construction Contracts are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions to be proposed at the EGM to approve the Construction Contracts and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Sorrento Capital Limited

Aaron Wong

Stanley Chung

Managing Director

Managing Director

Note: Mr. Aaron Wong is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than six years of experience in corporate finance and investment banking. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wong and Mr. Chung have participated in and completed various advisory transactions.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

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

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity	Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Yan Zhi	Interest through controlled corporations (Note 2)	1,290,451,130 (L)	74.81%

Notes:

- (L) represents a long position.
- The 882,440,621 (L) Shares were held by China Tongshang Investment Group Limited (formerly known as Zall Infrastructure Investments Company Limited), a company indirectly wholly-owned by Mr. Yan Zhi and 408,010,509 (L) Shares were held by Zall Holdings Company Limited, which is directly wholly-owned by Mr. Yan Zhi.
- Based on 1,725,066,689 shares of the Company in issue as at the Latest Practicable Date.

(b) Substantial Shareholders' interests and short positions in the Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of total number of Shares in issue <i>(Note 3)</i>
Zall Holdings Company Limited <i>(Note 2)</i>	Interest of controlled corporation	882,440,621(L)	51.15%
	Beneficial owner	408,010,509(L)	23.66%
China Tongshang Investment Group Limited <i>(Note 2)</i>	Beneficial owner	882,440,621(L)	51.15%

Notes:

1. (L) represents long position.
2. China Tongshang Investment Group Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi. As at the Latest Practicable Date, Mr. Yan Zhi is a director of both Zall Holdings Company Limited and China Tongshang Investment Group Limited.
3. Based on 1,725,066,689 shares of the Company in issue as at the Latest Practicable Date.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, other than the Construction Contracts which Mr. Yan is interested in, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December, 2018 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was considered to have interests in any competing businesses of the Group pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date of which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Sorrento Capital Limited	A licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity

The letter, report and/or opinion from the above expert is given as of the date of this circular for incorporation in this circular. The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert:

- (a) did not have any direct or indirect interest in any assets which have since 31 December, 2018 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

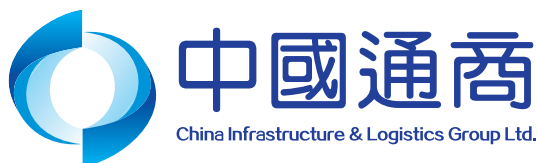
The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Construction Contracts;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (d) the letter of consent from the expert referred to under the section headed “Expert and consent” in this Appendix; and
- (e) this circular.

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 an extraordinary general meeting (the “**Meeting**”) of China Infrastructure & Logistics Group Ltd. (the “**Company**”) will be held at Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 5 December 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

“**THAT:**

- (a) the entering into of the construction contract (the “**Luotian Construction Contract**”) dated 17 October 2019 between Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程(武漢)有限公司) (“**Zhongji Tongshang Construction**”) and Hubei Dabeishan Cultural Tourism Development Company Limited* (湖北大別山文化旅遊開發有限公司) in relation to the provision of construction services by the Zhongji Tongshang Construction (a copy of the Luotian Construction Contract marked “A” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be hereby approved, ratified and confirmed;

NOTICE OF EGM

- (b) the entering into of the construction contract (the “**Xiaogan Construction Contract**”, together with the Luotian Construction Contract, the “**Construction Contracts**”) dated 17 October 2019 between Zhongji Tongshang Construction and Zall Development (Xiaogan) Limited* (卓爾發展(孝感)有限公司) in relation to the provision of construction services by the Zhongji Tongshang Construction (a copy of the Xiaogan Construction Contract marked “B” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorised to execute the Construction Contracts and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree such variations of a minor or non-material nature in or to the terms of the Construction Contracts as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”
2. To re-elect Mr. Peng Chi as an executive Director.

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

Hong Kong, 18 November, 2019

Head office and principal place of business in Hong Kong:
Suite 2101, 21/F., Two Exchange Square
8 Connaught Place
Central
Hong Kong

NOTICE OF EGM

Notes:

1. The resolutions set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
3. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday.
5. Where there are joint registered holders of any Share, any one of such persons may vote at the Meeting, 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 Meeting 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.
6. For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 2 December 2019 to Thursday, 5 December 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order for a shareholder of the Company to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Center, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 November, 2019.

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

* *For identification purpose only*