

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares ("Shares") in CIG Yangtze Ports PLC (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is addressed to the shareholders of the Company (the "Shareholders") for information in connection with the extraordinary general meeting of the Company (the "EGM") to be held on Thursday, 16 July 2009. This circular does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities in CIG Yangtze Ports PLC.



中國基建港口有限公司*

CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8233)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY THREE EXISTING SHARES
HELD BY QUALIFYING SHAREHOLDERS ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF
ONE BONUS SHARE FOR EVERY RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE;
(2) ISSUE OF SHARES UNDER SPECIFIC MANDATE; AND
(3) PROPOSED AMENDMENT TO THE ARTICLES**

Underwriter of the Rights Issue



Financial adviser to the Company



*Independent financial adviser to the independent board committee and
the independent shareholders of the Company*



A letter from the Independent Board Committee (as defined herein) containing its recommendation to the Independent Shareholders (as defined herein) in connection with the Rights Issue (together with the Bonus Issue) (as defined herein) is set out on pages 34 to 35 of this circular. A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in connection with the Rights Issue (together with the Bonus Issue), is set out on pages 36 to 48 of this circular.

A notice convening the EGM to be held at 9:30 a.m. on Thursday, 16 July 2009 at Room 3203, 32/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages 141 to 144 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions entitling the Underwriter (as defined herein) to terminate the Underwriting Agreement by written notice to the Company if, prior to the Latest Time for Termination (as defined herein): (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group (as defined herein) as a whole or is materially adverse in the context of the Rights Issue; or (ii) the occurrence of any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which, in the reasonable opinion of the Underwriter, is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or (c) there is any change in the circumstances of the Company or any member of the Group which, in the reasonable opinion of the Underwriter, will adversely affect the prospects of the Company including the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or (d) any event of force majeure including any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of documents in connection with the Rights Issue; or (f) the documents of the Company published since the date of the Underwriting Agreement when published contain information which has not, prior to the date of the Underwriting Agreement, been publicly announced or published by the Company and which may, in the reasonable opinion of the Underwriter, be material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares (as defined herein) provisionally allotted to it; or (g) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or (h) any event which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter. Shareholders should note that if any of the conditions as referred to in the section headed "Conditions of the Rights Issue and the Bonus Issue" in the "Letter from the Board" in this circular (which are incapable of being waived) is not satisfied, the Rights Issue (together with the Bonus Issue) will not proceed. Any dealing in the Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Main Board. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue (together with the Bonus Issue) which has been prepared on the assumption that the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder will be approved by the Independent Shareholders (or where appropriate, the Shareholders) at the EGM. **The timetable below is indicative only and is subject to change. The Company will make further announcement(s) and notify the Shareholders of any changes to the expected timetable as and when appropriate.**

2009

Despatch of circular in relation to, among other things, the Rights Issue (together with the Bonus Issue) to the Shareholders and, for information only, holders of the Share Options	Tuesday, 23 June
Last day of dealings in the Shares on a cum-rights basis	Wednesday, 8 July
First day of dealings in the Shares on an ex-rights basis	Thursday, 9 July
Latest time for lodging transfers of Shares to be entitled for the Rights Issue and the Bonus Issue	4:30 p.m. on Friday, 10 July
Book close period to determine the entitlements to the Rights Issue and the Bonus Issue (both dates inclusive)	from Monday, 13 July to Thursday, 16 July
Latest time for lodging proxy forms of the EGM	9:30 a.m. on Tuesday, 14 July
EGM	9:30 a.m. on Thursday, 16 July
Announcement of results of the EGM	Thursday, 16 July
Record Date	Thursday, 16 July
Despatch of the Rights Issue Documents	Friday, 17 July
Register of members re-opens	Friday, 17 July
First day of dealings in nil-paid Rights Shares	Tuesday, 21 July
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Thursday, 23 July

EXPECTED TIMETABLE

Last day of dealings in nil-paid Rights Shares Tuesday, 28 July

Latest time for acceptance of and payment for
the Rights Shares and application for excess Rights Shares 4:00 p.m. on
Friday, 31 July

Latest time for the Rights Issue to become unconditional 4:00 p.m. on
Friday, 7 August

Announcement of the results of the Rights Issue and
excess application Friday, 7 August

Despatch of refund cheques for wholly and partially unsuccessful
excess applications to be posted on or before Monday, 10 August

Despatch of Share certificates for fully paid Rights Shares and
Bonus Shares on or before Monday, 10 August

Dealings in fully paid Rights Shares and Bonus Shares
expected to commence 9:30 a.m. on
Wednesday, 12 August

Notes:

1. All times and dates in this circular refer to Hong Kong times and dates.
2. If there is:
 - (a) a tropical cyclone warning signal number 8 or above, or
 - (b) a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date, the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. An announcement will be made by the Company in such event to notify Shareholders of any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“Amendment to the Articles”	the proposed amendment to Article 168 of the Articles to allow distribution of the Bonus Shares to Shareholders on a non pro-rata basis, which will be subject to approval of the relevant special resolution by the Shareholders at the EGM
“Articles”	the Articles of Association of the Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of Bonus Shares to the first registered holders of fully-paid Rights Shares on the basis of one Bonus Share for every Rights Share subscribed for and taken up under the Rights Issue
“Bonus Shares”	the new Shares to be allotted and issued under the Bonus Issue, being 334,327,589 Shares, and each a “Bonus Share”
“Business Day”	a day (other than Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chow Companies”	collectively Chow Holdings, CIG China Holdings and Unbeatable Holdings, which together held 174,977,592 Shares, representing approximately 34.89% of the existing issued share capital of the Company as at the Latest Practicable Date
“Chow Holdings”	Chow Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Chow, and which was interested in 35,710,197 Shares, representing approximately 7.12% of the existing issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“CIG China Holdings”	CIG China Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Chow, and which was interested in 27,301,200 Shares, representing approximately 5.44% of the existing issued share capital of the Company as at the Latest Practicable Date
“Companies Law” or “Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	CIG Yangtze Ports PLC, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened and held at 9:30 a.m. on Thursday, 16 July 2009 at Room 3203, 32/F Admiralty Centre I, 18 Harcourt Road, Hong Kong (or any adjourned meeting thereof) to approve the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder and the Amendment to the Articles
“Excluded Shareholders”	the Overseas Shareholders whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“First Announcement”	the announcement of the Company dated 26 May 2009 in relation to, among other things, the Rights Issue (together with the Bonus Issue) and the Amendment to the Articles

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (together with the Bonus Issue)
“Group”	the Company and its subsidiaries
“Harbour Master”	Harbour Master Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Yangtze Ventures II Limited which, in turn, is a non-wholly-owned subsidiary of Shui On Construction and Materials Limited (Stock code: 983) and which was interested in 79,356,183 Shares, representing approximately 15.83% of the existing issued share capital of the Company as at the Latest Practicable Date
“Heavy Item Port”	heavy item port (重特大件碼頭) for handling large and heavy cargo shipments
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors who have no interest in the Rights Issue (together with the Bonus Issue), namely Mr. Lee Kang Bor, Thomas, Dr. Wong Tin Yau, Kelvin and Mr. Fan Chun Wah, Andrew, established to give recommendation to the Independent Shareholders in relation to the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Chow Companies and their respective associates

DEFINITIONS

“Last Acceptance Date”	Friday, 31 July 2009, the last acceptance day of the Rights Issue
“Last Trading Day”	21 May 2009, being the last full trading day prior to the suspension of trading in the Shares, pending the release of the First Announcement
“Latest Practicable Date”	18 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Termination”	being 4:00 p.m. on the fifth Business Day after the Last Acceptance Date, or such other later date as the Underwriter and the Company may agree in writing
“Main Board”	the main board of the Stock Exchange
“Mr. Chow”	Mr. Chow Kwong Fai, Edward, the chairman of the Company and an executive Director
“Overseas Shareholders”	Shareholders whose registered address (as shown in the Register on the Record Date) are outside Hong Kong, and each an “Overseas Shareholder”
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Friday, 17 July 2009, the expected date for despatch of the Rights Issue Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders, as the case may be
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issue (together with the Bonus Issue)
“Qualifying Shareholders”	Shareholders other than the Excluded Shareholders, whose names appear on the Register at the close of business on the Record Date, and each a “Qualifying Shareholder”

DEFINITIONS

“Record Date”	the date by reference to which entitlements to the Rights Issue are determined
“Register”	the register of members of the Company
“Registrar”	Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell, Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the Hong Kong branch share registrar of the Company
“Rights Issue”	the issue by way of rights of two Rights Shares for every three existing Shares held by the Qualifying Shareholders on the Record Date at a price of HK\$0.10 per Rights Share
“Rights Issue Documents”	the Prospectus, PAL and EAF
“Rights Shares”	the new Shares to be allotted and issued under the Rights Issue, being 334,327,589 Shares, and each a “Rights Share”
“Second Announcement”	the announcement of the Company dated 16 June 2009 in relation to the revision on the terms and conditions of the Rights Issue and the Bonus Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company, and each a “Share”
“Share Options”	the outstanding options to subscribe for new Shares granted under the Share Option Scheme, and each a “Share Option”
“Share Option Scheme”	the share option scheme adopted by the Company on 2 September 2005
“Shareholder(s)”	registered holder(s) of Share(s), and each a “Shareholder”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	the subscription price of HK\$0.10 per Rights Share under the Rights Issue
“Substantial Shareholders”	together the Chow Companies, Harbour Master and the Value Partners Group
“Unbeatable Holdings”	Unbeatable Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Chow, and which was interested in 111,966,195 Shares, representing approximately 22.33% of the existing issued share capital of the Company as at the Latest Practicable Date
“Undertakings”	the irrevocable undertakings given by each of Mr. Chow, the Chow Companies, Harbour Master and the Value Partners Group in favour of the Company to accept or procure the acceptance of the full entitlement of an aggregate of 220,280,047 Rights Shares by them under the Rights Issue, and each an “Undertaking”
“Underwriter” or “VC Brokerage”	VC Brokerage Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the Underwriter
“Underwriting Agreement”	the underwriting agreement dated 22 May 2009 (as supplemented by a supplemental agreement dated 18 June 2009) entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	114,047,542 Rights Shares to be underwritten by the Underwriter pursuant to the Underwriting Agreement, being the total number of Rights Shares to be issued pursuant to the Rights Issue less those Rights Shares confirmed to be taken up by the Substantial Shareholders under the Undertakings
“Value Partners Asia Fund”	Value Partners Asia Fund, LLC, an unauthorised fund managed by Value Partners Limited, which was interested in 32,889,497 Shares, representing approximately 6.56% of the existing issued share capital of the Company, as at the Latest Practicable Date

DEFINITIONS

“Value Partners China Greenchip Fund”	Value Partners China Greenchip Fund Limited, a fund managed by Value Partners Limited, which was interested in 12,104,000 Shares, representing approximately 2.41% of the existing issued share capital of the Company as at the Latest Practicable Date
“Value Partners Group”	collectively Value Partners Asia Fund, Value Partners Hedge Master Fund and Value Partners China Greenchip Fund, which together held 76,086,297 Shares, representing approximately 15.17% of the existing issued share capital of the Company as at the Latest Practicable Date
“Value Partners Hedge Master Fund”	Value Partners Hedge Master Fund Limited, an unauthorised fund managed by Value Partners Limited, which was interested in 31,092,800 Shares, representing approximately 6.20% of the existing issued share capital of the Company as at the Latest Practicable Date
“VC Capital”	VC Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company
“WIT Port”	the Wuhan International Transshipment Port owned as to 85% by the Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled, by written notice to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not of the same kind with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which, in the reasonable opinion of the Underwriter, is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which, in the reasonable opinion of the Underwriter, will adversely affect the prospects of the Company including, without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement or the Rights Issue Documents or other announcements or circulars in connection with the Rights Issue; or
- (f) the circular, Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not, prior to the date of the Underwriting Agreement, been publicly announced or published by the Company and which may, in the reasonable opinion of the Underwriter, be material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

The Underwriter shall also be entitled, by written notice to the Company, to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter.

If prior to the Latest Time for Termination any such written notice of termination is given by the Underwriter, the obligations of all parties under the Underwriting Agreement (save in respect of the payment by the Company of reasonable legal fees and other reasonable out-of-pocket expenses, except the underwriting commission, incurred by the Underwriter) shall terminate forthwith.

If any such written notice of termination is given by the Underwriter at such time prior to the Latest Time for Termination but after the Underwriter has paid or procured payment to the Company of the aggregate subscription proceeds in respect of the Underwritten Shares for which it is obliged to subscribe or procure subscription under the provisions of the Underwriting Agreement, the Company shall, not later than the end of the second Business Day after (but not including) the date of receipt of such written notice of termination remit to the Underwriter such amount of aggregate subscription proceeds which it has received from the Underwriter by cheque or cashier's order. For the avoidance of doubt, notwithstanding the

TERMINATION OF THE UNDERWRITING AGREEMENT

payment of any sum by or on behalf of the Underwriter to the Company, reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter shall be payable by the Company in any event but the underwriting commission shall not be payable.

As stated in the Second Announcement, subsequent to the publication of the First Announcement, the Company has revised the conditions of the Rights Issue such that the Rights Issue (together with the Bonus Issue) will be conditional upon, amongst other things, the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. Shareholders should note, therefore, that completion of the Underwriting Agreement has become a condition for the completion of the Rights Issue (together with the Bonus Issue). If the Underwriting Agreement is terminated in accordance with the terms thereof, the Rights Issue (together with the Bonus Issue) will not proceed and will be terminated.

LETTER FROM THE BOARD



中國基建港口有限公司*
CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8233)

Executive Director:

Mr. Chow Kwong Fai, Edward

Non-executive Directors:

Mr. Wong Yuet Leung, Frankie

Mr. Goh Pek Yang, Michael

Mr. Lee Jor Hung, Dannis

Independent Non-executive Directors:

Mr. Lee Kang Bor, Thomas

Dr. Wong Tin Yau, Kelvin

Mr. Fan Chun Wah, Andrew

Registered Office:

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Cayman Islands

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12 Harcourt Road

Central

Hong Kong

23 June 2009

*To the Shareholders and, for information,
holders of the Share Options*

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY THREE EXISTING SHARES
HELD BY QUALIFYING SHAREHOLDERS ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF
ONE BONUS SHARE FOR EVERY RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE;**
- (2) ISSUE OF SHARES UNDER SPECIFIC MANDATE; AND**
- (3) PROPOSED AMENDMENT TO THE ARTICLES**

INTRODUCTION

It was announced by the Company on 26 May 2009 that the Company proposed to raise not less than approximately HK\$22.0 million and not more than approximately HK\$33.4 million, before expenses, by issuing not less than 220,280,047 Rights Shares and not more than 334,327,589 Rights Shares at a price of HK\$0.10 per Rights Share, on the basis of two Rights

* *For identification purpose only*

LETTER FROM THE BOARD

Shares for every three Shares held by Qualifying Shareholders on the Record Date, together with not less than 220,280,047 Bonus Shares and not more than 334,327,589 Bonus Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue. The Company had entered into the Underwriting Agreement with VC Brokerage on 22 May 2009 in relation to the underwriting of the Underwritten Shares.

It was further announced by the Company on 16 June 2009 that the Company had decided to add a condition to the Rights Issue such that the Rights Issue (together with the Bonus Issue) will be conditional upon, amongst other things, the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. The number of Rights Shares and Bonus Shares to be allotted and issued under the Rights Issue (together with the Bonus Issue) would be fixed at 334,327,589 Rights Shares and 334,327,589 Bonus Shares, subject to fractional adjustments, and approximately HK\$33.4 million, before expenses, would be raised by the Company under the Rights Issue.

The new Shares to be issued pursuant to the Rights Issue and the Bonus Issue will be issued pursuant to a specific mandate to be granted to the Directors at the EGM.

In order to facilitate the Rights Issue by enabling the Company to allot and issue the Bonus Shares, which will only be issued to the first registered holders of the fully-paid Rights Shares, the Directors proposed the Amendment to the Articles to allow a distribution of the Bonus Shares to Shareholders on a non pro-rata basis. A special resolution will be proposed at the EGM for the Shareholders to approve the Amendment to the Articles.

As the Rights Issue (together with the Bonus Issue) is expected to increase the issued share capital of the Company by more than 50%, pursuant to Rule 10.29 of the GEM Listing Rules, the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder are subject to approval at the EGM by the Shareholders other than the Chow Companies and their respective associate(s) (who held approximately 34.89% of the issued share capital of the Company as at the Latest Practicable Date), which shall abstain from voting in favour. To the best knowledge, information and belief of the Directors, having made reasonable enquiries, as at the Latest Practicable Date, each of the Chow Companies and their respective associates has no intention to vote against the ordinary resolution in relation to the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors who have no interest in the Rights Issue (together with the Bonus Issue) has been established to advise the Independent Shareholders on the terms of the Rights Issue (together with the Bonus Issue). GF Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, whether the Rights Issue (together with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole and as to voting for or against the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Rights Issue (together with the Bonus Issue) and the Amendment to the Articles; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter of advice from GF Capital to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Rights Issue (together with the Bonus Issue); and (iv) the notice of the EGM.

RIGHTS ISSUE WITH BONUS ISSUE

Issue statistics

Basis of the Rights Issue with the Bonus Issue: two Rights Shares for every three Shares held by Qualifying Shareholders on the Record Date, with one Bonus Share for every fully paid Rights Share taken up under the Rights Issue

Number of Shares in issue as at the Latest Practicable Date: 501,491,386 Shares

Number of Rights Shares: 334,327,589 Rights Shares, representing approximately 66.67% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 28.57% of the issued share capital of the Company as enlarged by the Rights Issue and the Bonus Issue

The aggregate nominal value of the Rights Shares amounts to HK\$33,432,759.

Number of Bonus Shares: 334,327,589 Bonus Shares to be issued to the first registered holders of the fully-paid Rights Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue, representing approximately 66.67% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 28.57% of the issued share capital of the Company as enlarged by the Rights Issue and the Bonus Issue

The aggregate nominal value of the Bonus Shares amounts to HK\$33,432,759.

Subscription Price per Rights Share: HK\$0.10 per Rights Share

LETTER FROM THE BOARD

Underwriter: VC Brokerage

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, each of the Underwriter and its beneficial owner(s) is an independent third party not connected with the Company or its connected persons

The new Shares to be issued pursuant to the Rights Issue and the Bonus Issue will be issued pursuant to a specific mandate to be granted to the Directors at the EGM.

Completion of the Underwriting Agreement is a condition for the completion of the Rights Issue (together with the Bonus Issue). If the Underwriting Agreement is terminated in accordance the terms thereof, the Rights Issue (together with the Bonus Issue) will not proceed and will be terminated.

If the Underwriting Agreement is not terminated in accordance with the terms thereof, the Company will allot and issue 334,327,589 Rights Shares and 334,327,589 Bonus Shares to raise approximately HK\$33.4 million, before expenses.

As at the Latest Practicable Date, the Company had 8,600,000 outstanding Share Options which are only exercisable on 10 April 2010 by the earliest. Save for the aforesaid, the Company had no other Shares or outstanding derivatives, options, warrants, conversion rights or other similar rights or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Subscription price for the Rights Shares

HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

1. a discount of approximately 56.52% to the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;
2. a discount of approximately 55.75% to the average closing price of about HK\$0.226 per Share for the last five trading days as quoted on GEM up to and including the Last Trading Day;
3. a discount of approximately 54.13% to the average closing price of about HK\$0.218 per Share for the last ten trading days as quoted on GEM up to and including the Last Trading Day;
4. a discount of approximately 21.26% to the theoretical ex-right price (after taking into consideration the Bonus Issue) of about HK\$0.127 per Share based on the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;

LETTER FROM THE BOARD

5. a discount of approximately 73.33% to the closing price of HK\$0.375 per Share as quoted on GEM as at the Latest Practicable Date; and
6. a discount of approximately 52.38% to the net asset value per Share of approximately HK\$0.21 based on the audited consolidated net tangible assets attributable to the Shareholders as at 31 December 2008 of approximately HK\$106,693,000 and 501,491,386 Shares in issue as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price and liquidity of the Shares under the prevailing market conditions. As the Rights Issue (together with the Bonus Issue) is offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a considerable discount to the current market price of the Shares to attract Qualifying Shareholders to participate in the Rights Issue (together with the Bonus Issue). The Directors consider that the terms of the Rights Issue are fair and reasonable and that the Rights Issue (together with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole.

For those Qualifying Shareholders who participate in the Rights Issue, they would be entitled to one Bonus Share for every Rights Share taken up under the Rights Issue. On this basis, the theoretical subscription price of each Rights Share is approximately HK\$0.05 which represents:

1. a discount of approximately 78.26% to the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;
2. a discount of approximately 77.88% to the average closing price of about HK\$0.226 per Share for the last five trading days as quoted on GEM up to and including the Last Trading Day;
3. a discount of approximately 77.06% to the average closing price of about HK\$0.218 per Share for the last ten trading days as quoted on GEM up to and including the Last Trading Day;
4. a discount of approximately 60.63% to the theoretical ex-right price (after taking into consideration the Bonus Issue) of about HK\$0.127 per Share based on the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;
5. a discount of approximately 86.67% to the closing price of HK\$0.375 per Share as quoted on GEM as at the Latest Practicable Date; and
6. a discount of approximately 76.19% to the net asset value per Share of approximately HK\$0.21 based on the audited consolidated net tangible assets attributable to the Shareholders as at 31 December 2008 of approximately HK\$106,693,000 and 501,491,386 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Basis of provisional allotment

Two Rights Shares in nil-paid form for every three existing Shares held by a Qualifying Shareholder on the Record Date.

Status of the Rights Shares and the Bonus Shares

When allotted, issued and fully paid, the Rights Shares and the Bonus Shares will rank *pari passu* in all respects with the then existing Shares in issue as at the date of allotment and issue of the fully paid Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares, when allotted, issued and fully paid, will be entitled to receive all future dividends and distributions which may be declared, made or paid in respect thereof on or after the date of allotment and issue of the Rights Shares and the Bonus Shares. Dealings in nil-paid and fully paid Rights Shares and Bonus Shares will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong. Nil-paid and fully paid Rights Shares are expected to be traded in board lots of 4,000 (which is the same as the current board lot size of the Shares as traded on GEM).

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must on the Record Date be registered as a member of the Company and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge the relevant transfers of Shares (with the relevant share certificates) with the Registrar by 4:30 p.m. on Friday, 10 July 2009. The branch share registrar of the Company in Hong Kong is:

Computershare Hong Kong Investor Services Limited at
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong.

Book close period

The register of members of the Company will be closed from Monday, 13 July 2009 to Thursday, 16 July 2009, both dates inclusive, for the purpose of establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Excluded Shareholders (if any)

The Rights Issue Documents will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

The Directors will make enquiries pursuant to Rule 17.41 of the GEM Listing Rules. If, after making enquiries by obtaining legal opinions regarding the restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to such Overseas Shareholders, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholders from the Rights Issue and the Bonus Issue, no Rights Shares and Bonus Shares will be offered to such Overseas Shareholders. In such circumstances, the Rights Issue and the Bonus Issue will not be extended to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for information only, but not the PALs or EAFs.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of HK\$100 or more will be paid to the relevant Excluded Shareholder in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for the benefit of the Company. Any unsold entitlements of the Excluded Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, there were no Overseas Shareholders and, hence, no Excluded Shareholders as at the Latest Practicable Date.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. The aggregate of fractions of the Rights Shares will be sold by the Company in the market if a net premium can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application on EAFs by the Qualifying Shareholders.

Odd lots arrangement

The Company will procure DL Brokerage Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO which is controlled by Mr. Lee Jor Hung, Dannis, a non-executive Director, to arrange for odd lots matching service. As DL Brokerage Limited is an associate of Mr. Lee Jor Hung, Dannis, a connected person of the Company, the provision of odd lots matching service by DL Brokerage Limited constitutes a connected transaction of the Company under the GEM Listing Rules, but is exempt from the reporting, announcement and independent shareholders' approval requirements by reason that such transaction is a de minimis transaction under Rule 20.31(2) of the GEM Listing Rules.

LETTER FROM THE BOARD

Details of the odd lots arrangement will be set out in the Prospectus.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders, any unsold fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application can be made by completing the EAF and lodging the same with appropriate remittance for the excess Rights Shares.

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, in proportion to the number of excess Rights Shares being applied for under each application, except that preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lots holdings to whole-lot holdings.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top up of odd-lots arrangement and the application for excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the Record Date.

For investors whose Shares are held by their nominee(s) and would like to have their names registered on the Register, they must complete the relevant registration with the Registrar by 4:30 p.m. on Friday, 10 July 2009.

Application for listing of the Rights Shares and the Bonus Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully paid forms, and the fully-paid Bonus Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listings of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the fully-paid Bonus Shares on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms and the fully-paid Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms and the fully-paid Bonus Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions

LETTER FROM THE BOARD

between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders and potential investors of the Company should seek advice from their stockbrokers or other professional advisers for details of such settlement arrangements and as to how such arrangements would affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms and the fully-paid Bonus Shares to be admitted to CCASS.

Stamp duty

Dealings in the Rights Shares in both their nil-paid and fully-paid forms and the fully-paid Bonus Shares (in board lots of 4,000 Shares) will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong.

Share certificates

Subject to the fulfillment of the conditions of the Rights Issue and the Bonus Issue as set out in the section headed “Conditions of the Rights Issue and the Bonus Issue” below, certificates for all fully-paid Rights Shares and Bonus Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 10 August 2009. Dealings of the fully-paid Rights Shares and the Bonus Shares are expected to commence on or about Wednesday, 12 August 2009.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 22 May 2009

Parties: (1) The Company; and
(2) VC Brokerage, which is independent of and not connected with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates

Number of Rights Shares Underwritten: 114,047,542 Rights Shares

Commission: 2.5%

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, each of the Underwriter and its beneficial owner(s) is an independent third party not connected with the Company or its connected persons.

LETTER FROM THE BOARD

The Underwriter has confirmed that it has entered into sub-underwriting arrangements with parties who are not connected with the Company or its connected persons to sub-underwrite the Underwritten Shares, and that the number of Shares being sub-underwritten by each of these sub-underwriters represents less than 10% of the issued share capital of the Company as at the Latest Practicable Date. Save for being clients of VC Brokerage, each of the sub-underwriters has no other relationship with VC Brokerage.

Commission

The Company will pay to the Underwriter an underwriting commission calculated at 2.5% of the aggregate Subscription Price for the Underwritten Shares, which is expected to be approximately HK\$285,000 if the Underwritten Shares are fully underwritten. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter with reference to current market practice.

Termination of the Underwriting Agreement

The Underwriter shall be entitled, by written notice to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not of the same kind with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

LETTER FROM THE BOARD

- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which, in the reasonable opinion of the Underwriter, is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which, in the reasonable opinion of the Underwriter, will adversely affect the prospects of the Company including, without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement or the Rights Issue Documents or other announcements or circulars in connection with the Rights Issue; or
- (f) the circular, Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not, prior to the date of the Underwriting Agreement, been publicly announced or published by the Company and which may, in the reasonable opinion of the Underwriter, be material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

The Underwriter shall be entitled, by written notice to the Company, to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter.

LETTER FROM THE BOARD

As stated in the Second Announcement, subsequent to the publication of the First Announcement, the Company has revised the conditions of the Rights Issue such that the Rights Issue (together with the Bonus Issue) will be conditional upon, amongst other things, the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. Shareholders should note, therefore, that completion of the Underwriting Agreement has become a condition for the completion of the Rights Issue (together with the Bonus Issue). If the Underwriting Agreement is terminated in accordance with the terms thereof, the Rights Issue (together with the Bonus Issue) will not proceed and will be terminated.

UNDERTAKINGS

As at the Latest Practicable Date, the Chow Companies, Harbour Master and the Value Partners Group held 174,977,592 Shares, 79,356,183 Shares and 76,086,297 Shares respectively, representing approximately 34.89%, 15.83% and 15.17% of the existing issued share capital of the Company respectively.

Each of Mr. Chow, the Chow Companies, Harbour Master and the Value Partners Group has given an irrevocable undertaking to the Company:

- (a) not to dispose of (or, where applicable, to procure his associate(s) not to dispose of) any Shares held by him/it/them from the date of the Undertaking to the close of business on the Record Date, and that the Shares registered in his/its/their name(s) will remain registered in his/its/their name(s) up to and including the Record Date;
- (b) to subscribe for (or, where applicable, to procure his associate(s) to subscribe for) all of the Rights Shares which will be offered to him/it/them in respect of the Shares held by him/it/them pursuant to the terms of the Rights Issue; and
- (c) to lodge (or, where applicable, to procure his associate(s) to lodge) the provisional allotment letter in respect of the Rights Shares referred to in the respective Undertakings accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Rights Issue Documents prior to the latest time for acceptance of and payment for the Rights Shares.

Each of the Undertakings will cease to have any effect upon the earlier of (i) the completion; and (ii) the termination of the Rights Issue (together with the Bonus Issue).

LETTER FROM THE BOARD

PROPOSED AMENDMENT TO THE ARTICLES

In order to facilitate the Rights Issue by enabling the Company to allot and issue the Bonus Shares, which will only be issued to the first registered holders of the fully-paid Rights Shares, the Directors have proposed the Amendment to the Articles to allow a distribution of the Bonus Shares to Shareholders on a non pro-rata basis. The Amendment to the Articles is as follows:

“**THAT** the articles of association of the Company be and are hereby amended in the following manner:

By deleting Article 168 of the Articles in its entirety and substituting the following therefor:

“The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the members or any class of members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting by ordinary resolution on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.”

A special resolution will be proposed at the EGM for the Shareholders to approve the Amendment to the Articles.

LETTER FROM THE BOARD

CONDITIONS OF THE RIGHTS ISSUE AND THE BONUS ISSUE

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders (or where appropriate the Shareholders) at the EGM of the relevant resolutions (such vote shall be taken by way of poll) to approve: (a) the Amendment to the Articles to allow the allotment and issue of the Bonus Shares not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company; (b) the Rights Issue; and (c) the allotment and issue of the Bonus Shares;
- (ii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Rights Issue Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;
- (iii) the posting of the Rights Issue Documents to Qualifying Shareholders on the Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares by no later than the Posting Date;
- (v) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (vi) due compliance with and performance of all the undertakings and obligations of each of Mr. Chow, the Chow Companies, Harbour Master and the Value Partners Group under the Undertakings; and
- (vii) the Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms thereof.

As at the Latest Practicable Date, none of conditions (i) to (iv) and (vii) above have been fulfilled. The Directors were not aware of any matter which indicates that any of the undertakings or obligations of the Company under the Underwriting Agreement under condition (v) above and any of the undertakings or obligations of each of Mr. Chow, the Chow Companies, Harbour Master and the Value Partners Group under the Undertakings under condition (vi) above have been breached or have not been complied with.

LETTER FROM THE BOARD

Shareholders should note, in particular, that completion of the Underwriting Agreement has now become a condition for the completion of the Rights Issue (together with the Bonus Issue). If the Underwriting Agreement is terminated in accordance with the terms thereof, the Rights Issue (together with the Bonus Issue) will not proceed and will be terminated.

Shareholders should note that if any of the conditions (i) to (vii) above (which are incapable of being waived) is not satisfied, the Rights Issue (together with the Bonus Issue) will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

The Rights Issue (together with the Bonus Issue) is conditional upon, among other things, the fulfillment of the conditions as set out in the section headed “Conditions of the Rights Issue and the Bonus Issue” above. In particular, it is subject to (i) approval by the Independent Shareholders at the EGM; (ii) the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the Bonus Shares; and (iii) the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. Any dealing in the Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

RISK FACTORS

Prospective investors should be aware that the Company is exposed to certain degree of risks which include the following:

- (a) Given that the Group’s business operations are carried on in the PRC, the Group’s operations, profitability, financial position and prospects may be adversely affected by the economic, political and legal environments and/or policies in the PRC;
- (b) The development and operation of the WIT Port or the Heavy Item Port are subject to environmental laws and regulations promulgated by central, provincial, local authorities and/or the government of the PRC;
- (c) The operation of a port may be adversely affected by many factors, which may be beyond reasonable control of the Company including the breakdown of essential machinery or equipment (such as cranes), labour disputes, inclement weather and natural disasters. In addition, cargo and container movements into and out of a port rely on third party trucking and barge companies which contract directly with

LETTER FROM THE BOARD

importers, exporters or shipping companies. The failure or inability of all or some of these companies to provide the requisite services efficiently could disrupt the Group's operations and result in a loss of revenue;

- (d) The WIT Port is located along the mid-stream of the Yangtze River in the central region of the PRC. The Group's performance will generally depend on the general economic conditions and supply, demand and pattern of waterways traffic in Hubei Province and the other provinces in the neighbourhood, as well as the international trade patterns and growth. Any economic downturn or reduction in the waterways traffic volume in the regions or increased competition could have an adverse impact on the Group. In addition, the Group may face competition from alternative cargo handling ports in Wuhan and neighbouring areas;
- (e) There is no assurance that existing and future alternative cargo handling ports in the neighbourhood of the WIT Port will not charge the same amount of or lower tariffs. Such reduction of tariffs by alternative cargo handling ports may adversely affect the revenue of the Group;
- (f) The revenue generated from the WIT Port, the principal asset of the Group, is derived in Renminbi where the exchange rate of which is determined by the PRC government and hence is subject to exchange rate volatility and any applicable foreign exchange control regulations imposed by the PRC government, which may in turn directly affect the profit margin of the Group;
- (g) The WIT Port is in the form of a joint venture. Though the Group is in control of all the important day-to-day operational and financial decisions, it does not have absolute control over all decisions of the joint venture. As such, failure of any joint venture partners to perform their obligations under the relevant joint venture contract or articles of association could also adversely affect the Group's operations;
- (h) The Heavy Item Port is still in a preliminary stage and is subject to various uncertainties and risks, including but not limited to the obtaining of approvals (including project approval), licenses and permits from various government or regulatory authorities/agencies and business risks during construction. Accordingly, if there is any delay in the granting of such approvals, permits or licences, the business and/or financial performance of the Group may be adversely affected and the Heavy Item Port may or may not be completed;
- (i) As the benefit from the Heavy Item Port relates to future events and are subject to its actual performance and/or the transportation needs of the major establishments in Wuhan, the actual benefit achieved may or may not necessarily correspond to the expectations of the Group; and
- (j) Subject to capital market conditions, the Group may or may not be able to obtain funds required for future development and/or operations of the Heavy Item Port or any future projects.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE WITH BONUS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE

The principal activities of the Group are investment in and the development, operation and management of container ports which are conducted through the WIT Port, which is owned as to 85% by the Group.

As disclosed in the latest published annual report for the year ended 31 December 2008, the Group had entered into a non-legally binding heads of agreement with the Wuhan Xinzhou District Government on 1 August 2007 to construct and operate a Heavy Item Port to handle large and heavy cargo shipments (up to 600 tonnes in weight) to cater for the transportation needs of some major international power generation, transmission and distribution equipment manufacturers which have chosen to establish manufacturing plants in the Yanglou District of Wuhan, where the WIT Port of the Group is situated. The provision of a Heavy Item Port facility is part of the Wuhan government's commitment to attract world-class manufacturers to establish manufacturing facilities in Wuhan. The Heavy Item Port will be situated adjacent to the WIT Port and will be managed by the same management team and the Group is therefore expected to be able to achieve economies of scale. The Directors believe that with the Group's participation in the construction and operation of such Heavy Item Port, the Group is well positioned to enjoy any possible benefits arising from the increasing transportation needs as a result of the establishment of such major projects in Wuhan.

The net proceeds (after deducting expenses payable by the Company including underwriting commission, professional fees, printing charges and sundry expenses of approximately HK\$1.4 million) of the Rights Issue are expected to be approximately HK\$32.0 million, which will be used as to approximately HK\$16.3 million for payment of the land and preliminary expenses for the Heavy Item Port and as to the balance of approximately HK\$15.7 million as general working capital of the Group.

On the basis that the net proceeds (after deducting expenses payable by the Company including underwriting commission, professional fees, printing charges and sundry expenses of approximately HK\$1.4 million) of the Rights Issue are expected to be approximately HK\$32.0 million, and that an aggregate of 668,655,178 new Shares will be issued pursuant to the Rights Issue and the Bonus Issue, the net price per new Share to be issued pursuant to the Rights Issue (together with the Bonus Issue) is approximately HK\$0.048.

The Directors consider that the Rights Issue would allow the Company to enlarge its capital base without having to incur any interest expenses as compared to debt financing. The Rights Issue would also provide an equal opportunity to all the Shareholders (except the Excluded Shareholders) to participate in the future growth of the Group. The Directors therefore consider that the Rights Issue (together with the Bonus Issue) is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue together with the Bonus Issue (assuming that all Qualifying Shareholders have taken up their respective entitlements under the Rights Issue); and (iii) immediately after completion of the Rights Issue together with the Bonus Issue (assuming that the Underwriter has taken up all the entitlements of the Qualifying Shareholders, other than the Substantial Shareholders, under the Rights Issue):

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue together with the Bonus Issue (assuming that all Qualifying Shareholders have taken up their respective entitlements under the Rights Issue)		Immediately after completion of the Rights Issue together with the Bonus Issue (assuming that the Underwriter has taken up all the entitlements of the Qualifying Shareholders, other than the Substantial Shareholders, under the Rights Issue)	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
Chow Companies (Note 1)	174,977,592	34.89%	408,281,048	34.89%	408,281,048	34.89%
Harbour Master (Note 2)	79,356,183	15.83%	185,164,427	15.83%	185,164,427	15.83%
Value Partners Group (Note 3)	76,086,297	15.17%	177,534,691	15.17%	177,534,691	15.17%
Sub-total of Shareholders who have given the Undertakings	330,420,072	65.89%	770,980,166	65.89%	770,980,166	65.89%
Ramwealth Company Limited (Note 4)	5,025,055	1.00%	11,725,127	1.00%	5,025,055	0.43%
Underwriter (Note 5)	0	0.00%	0	0.00%	228,095,084	19.49%
Public Shareholders	166,046,259	33.11%	387,441,271	33.11%	166,046,259	14.19%
Sub-total	171,071,314	34.11%	399,166,398	34.11%	399,166,398	34.11%
Total	501,491,386	100.00%	1,170,146,564	100.00%	1,170,146,564	100.00%

LETTER FROM THE BOARD

Notes:

1. Each of the Chow Companies is wholly and beneficially owned by Mr. Chow, Chairman of the Company and an executive Director. As at the Latest Practicable Date, in addition to the interests as stated above, Mr. Chow was also interested in 450,000 outstanding Share Options (which are only exercisable on 10 April 2010 by the earliest).
2. Harbour Master is indirectly controlled by Shui On Construction and Materials Limited, a company listed on the Main Board of the Stock Exchange.
3. The Value Partners Group comprises funds managed by Value Partners Limited.
4. Ramwealth Company Limited is a company in respect of which Mr. Lee Jor Hung, Dannis, a non-executive Director, is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings. As at the Latest Practicable Date, in addition to the interests as stated above, Mr. Lee Jor Hung, Dannis was also interested in 450,000 outstanding Share Options (which are only exercisable on 10 April 2010 by the earliest).
5. The Underwriter has confirmed that, as at the Latest Practicable Date, it has entered into sub-underwriting agreements with various sub-underwriters, being its clients, to sub-underwrite all the Underwritten Shares. Each of the sub-underwriters has confirmed that it is not connected with the Company and its connected persons and is not an existing Shareholder. The number of Shares being sub-underwritten by each of these sub-underwriters represents less than 10% of the issued share capital of the Company as at the Latest Practicable Date. The Company will take appropriate steps to ensure that not less than 25% of the issued share capital of the Company would be held by the public immediately upon completion of the Rights Issue (together with the Bonus Issue).
6. As at the Latest Practicable Date, each of Mr. Wong Yuet Leung, Frankie, Mr. Goh Pek Yang, Michael (both being non-executive Directors), Mr. Lee Kang Bor, Thomas and Dr Wong Tin Yau, Kelvin (both being independent non-executive Directors) was also interested in 450,000 outstanding Share Options (which are only exercisable on 10 April 2010 by the earliest).

PUBLIC FLOAT

As at the Latest Practicable Date, VC Brokerage has entered into sub-underwriting agreements with various sub-underwriters, being clients of VC Brokerage, to sub-underwrite all the Underwritten Shares. To the best knowledge, information and belief of the Directors, having made reasonable enquiries, each of the sub-underwriters (i) are not connected with the Company and its connected persons; (ii) are not existing Shareholders; and (iii) the number of Shares being sub-underwritten by each of these sub-underwriters represents less than 10% of the issued share capital of the Company as at the Latest Practicable Date. Save for being clients of VC Brokerage, each of the sub-underwriters has no other relationship with VC Brokerage. The Company will take appropriate steps to ensure that not less than 25% of the issued share capital of the Company would be held by the public immediately upon completion of the Rights Issue (together with the Bonus Issue).

The Rights Issue (together with the Bonus Issue) is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares. The Company acknowledges that no listing approval in respect of the Rights Shares and the Bonus Shares will be granted if, immediately upon completion of the Rights Issue (together with the Bonus Issue), less than 25% of the issued share capital of the Company is held by the public. The Company will provide details regarding the shareholding structure of the Company in the announcement of the results of the Rights Issue and excess application which is expected to be posted on Friday, 7 August 2009.

LETTER FROM THE BOARD

ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF THE SHARE OPTIONS

Adjustments to the exercise price and/or number of the outstanding Share Options may be required under the relevant terms of the instrument constituting the Share Option Scheme. The Company will appoint an auditor or an independent financial adviser to certify the necessary adjustments, if any, to the exercise price and/or the number of the Share Options. Further announcement will be made by the Company in this regard if necessary.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

There has not been any equity fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of the First Announcement.

INDEPENDENT SHAREHOLDERS' APPROVAL

As the Rights Issue (together with the Bonus Issue) is expected to increase the issued share capital of the Company by more than 50%, pursuant to Rule 10.29 of the GEM Listing Rules, the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder are subject to approval at the EGM by the Shareholders other than the Chow Companies and their respective associate(s) (who held approximately 34.89% of the issued share capital of the Company as at the Latest Practicable Date), which shall abstain from voting in favour. To the best knowledge, information and belief of the Directors, having made reasonable enquiries, as at the Latest Practicable Date, each of the Chow Companies and their respective associates has no intention to vote against the ordinary resolution in relation to the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors who have no interest in the Rights Issue (together with the Bonus Issue) has been established to advise the Independent Shareholders on the terms of the Rights Issue (together with the Bonus Issue). GF Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, whether the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole and as to voting for or against the Rights Issue (together with the Bonus Issue).

THE EGM

A notice of the EGM to be held at 9:30 a.m. on Thursday, 16 July 2009 at Room 3203, 32/F Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages 141 to 144 of this circular. An ordinary resolution will be proposed at the EGM to approve the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder, and a special resolution will be proposed at the EGM to approve the Amendment to the Articles.

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors believe that the terms of the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders (or where appropriate the Shareholders) to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder and the Amendment to the Articles.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 34 to 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder. Your attention is also drawn to the letter from GF Capital as set out on pages 36 to 48 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

As stated in the letter from the Independent Board Committee, the Independent Shareholders are recommended to vote in favour of the proposed resolution(s) in relation to the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder at the EGM.

GENERAL

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Subject to the approval of the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder at the EGM, the Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information only.

By order of the Board of
CIG Yangtze Ports PLC
Wong Wai Keung, Frederick
Company Secretary



中國基建港口有限公司*
CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8233)

The Independent Board Committee:

Mr. Lee Kang Bor, Thomas
Dr. Wong Tin Yau, Kelvin
Mr. Fan Chun Wah, Andrew

Registered Office:

P.O. Box 309
GT Uglan House
South Church Street
George Town
Grand Cayman
Cayman Islands

Head Office:

2909A Bank of America Tower
12 Harcourt Road
Central
Hong Kong

23 June 2009

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY THREE EXISTING SHARES
HELD BY QUALIFYING SHAREHOLDERS ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF
ONE BONUS SHARE FOR EVERY RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE;**
(2) ISSUE OF SHARES UNDER SPECIFIC MANDATE; AND
(3) PROPOSED AMENDMENT TO THE ARTICLES

We refer to the circular of the Company dated 23 June 2009 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder 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 to recommend the Independent Shareholders as to whether or not they should vote for or against the resolution to be proposed at the EGM to approve the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder. GF Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” as set out in the Circular and the “Letter from GF Capital” as set out in the Circular which contains its advice and recommendation to us in respect of the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, GF Capital as set out in the “Letter from GF Capital” in the Circular, we are of the opinion that the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder 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. We therefore recommend the Independent Shareholders to vote for the resolution to be proposed at the EGM to approve the Rights Issue (together with the Bonus Issue) and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee of

CIG Yangtze Ports PLC

Mr. Lee Kang Bor, Thomas Dr. Wong Tin Yau, Kelvin Mr. Fan Chun Wah, Andrew
Independent non-executive Directors

LETTER FROM GF CAPITAL

The following is the text of a letter of advice from GF Capital, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue (together with the Bonus Issue).



廣發融資 (香港) 有限公司

GF Capital (Hong Kong) Limited

Rooms 2301-5 & 2313, COSCO Tower
183 Queen's Road Central, Hong Kong

23 June 2009

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY THREE EXISTING SHARES
HELD BY QUALIFYING SHAREHOLDERS ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF
ONE BONUS SHARE FOR EVERY RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (together with the Bonus Issue), particulars of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 23 June 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 26 May 2009, the Company announced that the Company proposed to raise not less than approximately HK\$22.0 million and not more than approximately HK\$33.4 million, before expenses, by issuing not less than 220,280,047 Rights Shares and not more than 334,327,589 Rights Shares at a price of HK\$0.10 per Rights Share, on the basis of two Rights Shares for every three Shares held by Qualifying Shareholders on the Record Date, together with not less than 220,280,047 Bonus Shares and not more than 334,327,589 Bonus Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue.

LETTER FROM GF CAPITAL

It was further announced by the Company on 16 June 2009 that the Company had decided to add a condition to the Rights Issue such that the Rights Issue will be conditional upon, amongst other things, the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. The number of Rights Shares and Bonus Shares to be allotted and issued under the Rights Issue (together with the Bonus Issue) would be fixed at 334,327,589 Rights Shares and 334,327,589 Bonus Shares, subject to fractional adjustments, and approximately HK\$33.4 million, before expenses, would be raised by the Company under the Rights Issue.

As the Rights Issue (together with the Bonus Issue) is expected to increase the issued share capital of the Company by more than 50%, pursuant to Rule 10.29 of the GEM Listing Rules, the Rights Issue (together with the Bonus Issue) requires approval at the EGM by the Shareholders other than the Chow Companies and their respective associate(s), which shall abstain from voting in favour of the relevant resolution(s).

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors who have no interest in the Rights Issue (together with the Bonus Issue) has been established to advise the Independent Shareholders on the terms of the Rights Issue (together with the Bonus Issue).

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue (together with the Bonus Issue) are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue (together with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole and to make recommendation to the Independent Board Committee to advise the Independent Shareholders and to advise the Independent Shareholders on how to vote in relation to the resolution in respect of the Rights Issue (together with the Bonus Issue).

BASIS OF OUR OPINION

In formulating our opinion, we have relied solely on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company, its representatives and/or the Directors for which they are solely and wholly responsible. We have assumed that all such statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company, its representatives and/or the Directors and for which they are solely responsible were true, accurate and complete at the time they were made and given and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and representations for matters relating to the Company made or provided by the Directors and/or the representatives of the Company contained in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred

LETTER FROM GF CAPITAL

to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinion.

We consider that we have reviewed sufficient information which enables us to reach an informed view and to provide us with a reasonable basis for our opinion. We have no reason to suspect that any material facts or information which is known to the Company, its representatives and the Directors have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information, facts, and representations provided, or the reasonableness of the opinions and representations expressed by the Company, its representatives and the Directors. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Company and the prospects of the Company.

We have not considered the tax consequences on the Independent Shareholders arising from the subscription for, holding of or dealing in the Rights Shares and the Bonus Shares or exercising any right attached thereto or otherwise since these are particular to their individual circumstances. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background and reasons for the Rights Issue (together with the Bonus Issue)

Information on the Group

The principal activities of the Group are investment in and the development, operation and management of container ports which are conducted through the Wuhan International Transshipment Port (the “**WIT Port**”), which is owned as to 85% by the Group.

LETTER FROM GF CAPITAL

Based on the information set out in the annual reports for the year ended 31 December 2007 and 2008 and the unaudited first quarterly results announcement for the three months ended 31 March 2009 of the Company, the financial information of the Group are summarized as follows:

	For the year ended		For the three months	
	31 December		ended 31 March	
	2007	2008	2008	2009
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	33,521	42,304	8,610	11,989
Gross profit	15,446	23,091	4,315	5,949
Gross profit margin	46.1%	54.6%	50.1%	49.6%
Net loss attributable to Shareholders	(16,283)	(10,516)	(5,385)	(3,614)
			As at	As at
			31 December 2007	31 December 2008
			(Audited)	(Audited)
			<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		279,276		296,029
Current assets		53,405		34,638
Non-current liabilities		(85,694)		(171,028)
Current liabilities		(120,777)		(37,294)
Net current liabilities		(67,372)		(2,656)
Net assets		126,210		122,345

We noted from the published financial statements of the Group that despite the improved financial performance, the Group recorded consecutive net losses for the last two financial years and it was in a net current liabilities position as at 31 December 2008. Having regarded to the audited net current liabilities position of the Group as at 31 December 2008 and the continued loss for the first quarter in 2009, the Rights Issue (together with the Bonus Issue) of which part of the net proceeds would be used as general working capital would improve the cash position and liquidity position of the Group, we consider that it is commercially justifiable for the Company to proceed with the Rights Issue (together with the Bonus Issue).

LETTER FROM GF CAPITAL

Reasons for the Rights Issue (together with the Bonus Issue) and the use of proceeds

As disclosed in the Letter from the Board and the annual report for the year ended 31 December 2008, the Group had entered into a non-legally binding heads of agreement with the Wuhan Xinzhou District Government on 1 August 2007 to construct and operate a Heavy Item Port to handle large and heavy cargo shipments (up to 600 tonnes in weight) to cater for the transportation needs of some major international power generation, transmission and distribution equipment manufacturers which have chosen to establish manufacturing plants in Yanglou, Xinzhou District of Wuhan, where the WIT Port of the Group is situated. The provision of a Heavy Item Port facility is part of the Wuhan government's commitment to attract world-class manufacturers to establish manufacturing facilities in Wuhan. The Heavy Item Port will be situated adjacent to the WIT Port and will be managed by the same management team and the Group is therefore expected to be able to achieve economies of scale. The Directors believe that with the Group's participation in the construction and operation of such Heavy Item Port, the Group is well positioned to enjoy any possible benefits arising from the increasing transportation needs as a result of the establishment of such major projects in Wuhan.

The net proceeds (after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses) of the Rights Issue are expected to be approximately HK\$32.0 million, of which approximately HK\$16.3 million will be used for payment of the land and preliminary expenses for the Heavy Item Port and the balance of approximately HK\$15.7 million will be used as general working capital of the Group.

We note that the major amount of proceeds is expected to be used on the construction of the Heavy Item Port. After reviewing the heads of agreement entered into between the Group and Wuhan Xinzhou District Government on 1 August 2007 and the approvals issued by various governmental authorities, including the National Development and Reform Commission of Wuhan, in relation to the development plan of the Heavy Item Port in Yanglou, Xinzhou District of Wuhan, we are of the view that the representations and opinions of the Directors regarding the prospects of and potential benefits arising from the Heavy Item Port are made on reasonable ground and basis. Future investments in the Heavy Item Port will be subject to the compliance of the relevant Listing Rules and may be subject to announcement, reporting and shareholders' approval requirements, where applicable.

As discussed with the management of the Company, we understand that the project of the Heavy Item Port is still in a preliminary stage and is subject to various uncertainties and risks, including but not limited to the finalization of the agreement with the Wuhan Xinzhou District Government, the approvals from various authorities and different business risks during construction. Accordingly the project of the Heavy Item Port may or may not be completed.

LETTER FROM GF CAPITAL

In addition, as the benefit from the Heavy Item Port relates to future events and are based on expectation of the Company which may not be true and accurate for the whole of the relevant period, the actual benefit achieved may not necessarily correspond to the expectation and, accordingly, we express no opinion on how closely the benefit eventually achieved will correspond with the expectation.

Despite the abovementioned uncertainties and risks in relation to the Heavy Item Port, having considered the funding needs of the Group for its strategic investment in the Heavy Item Port and for its improvement in liquidity position, together with the anticipated difficulties in raising capital from external sources under the recent worldwide financial turmoil, we consider that it is justifiable and reasonable for the Company to raise additional funding to further strengthen its financial position such that the Company can grab any potential investment opportunity which is considered by the Company to be beneficial.

Financing alternatives available to the Group

As discussed with the management of the Company, we understood that the Company had also considered alternative means for fund raising, such as bank borrowings, share placement and issue of convertible securities. However, given the recent tight credit market and the financial performance and position of the Group, it is considered that raising external financing would be difficult for the Group. In addition, debt financing such as bank borrowings will inevitably increase interest expenses of the Group and further jeopardize the existing financial performance of the Group. Therefore, it will be in the interest of the Company to raise funds by equity financing, which will further strengthen the Company's capital base at the same time. In addition, we are of the view that, while issue of shares or convertible securities may result in a dilution of shareholdings and value per Share to the Shareholders, the Rights Issue (together with the Bonus Issue) will be effected on a pro-rata basis and offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enjoy the long-term growth of the Company without diluting their corresponding shareholdings. Meanwhile, we would like to remind the Qualifying Shareholders that those who do not take up their entitlements in full are also given the opportunity to realize their nil-paid Rights Shares for monetary reward by trading them in the market. Given the above, we concur with the view of the Directors that the Rights Issue (together with the Bonus Issue) is a more desirable means for the Group to obtain the required funding as compared with other alternatives and it is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM GF CAPITAL

2. Principal terms of the Rights Issue (together with the Bonus Issue)

Basis of the Rights Issue (together with the Bonus Issue):	two Rights Shares for every three Shares held by Qualifying Shareholders on the Record Date, with one Bonus Share for every fully paid Rights Share taken up under the Rights Issue
Number of Shares in issue as at the Latest Practicable Date:	501,491,386 Shares
Number of Rights Shares	334,327,589 Rights Shares
Number of Bonus Shares:	334,327,589 Bonus Shares to be issued to the first registered holders of the fully-paid Rights Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue
Subscription Price per Rights Share:	HK\$0.10 per Rights Share
Theoretical subscription price of each Rights Share upon taking into account the entitlement of one Bonus Share for every Rights Share taken up under the Rights Issue (the “ Theoretical Subscription Price ”):	HK\$0.05 per Rights Share

Number of Rights Share and Bonus Share

As stated in the Letter from the Board, completion of the Underwriting Agreement is a condition for the completion of the Rights Issue (together with the Bonus Issue). Accordingly, (i) if the Underwriting Agreement is not terminated in accordance with its terms, the Company will allot and issue 334,327,589 Rights Shares and 334,327,589 Bonus Shares to raise approximately HK\$33.4 million, before expenses; or (ii) if the Underwriting Agreement is terminated in accordance with its terms, the Rights Issue (together with the Bonus Issue) will not proceed and will be terminated.

We also note that Mr. Chow and each of the Substantial Shareholders has given an irrevocable undertaking to the Company that, among other things, (a) not to dispose of any Shares held by them from the date of the Undertaking to the close of business on the Record Date; and (b) to subscribe for all of the Rights Shares which will be offered to them in respect of the Shares held. We are of the view that the underwriting arrangements, if not terminated in accordance with its terms, can

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ensure the amount of fund to be raised by the Rights Issue (together with the Bonus Issue) which is in the interest of the Company as this would allow the Company to develop the Heavy Item Port and provide additional working capital to the Group. For the analysis on the dilution effect in respect of the issue of the Rights Shares and the Bonus Shares, please refer to the paragraph “3. Dilution effect of the Rights Issue (together with the Bonus Issue) on shareholding interests” below.

Theoretical Subscription Price

Given that the Qualifying Shareholders who participate in the Rights Issue would be entitled to one Bonus Share for every Rights Share taken up under the Rights Issue, the actual number of new Shares the Shareholder can obtain by paying every HK\$0.10 will be two Shares. Accordingly we consider that it is more relevant by analyzing the Theoretical Subscription Price instead of the Subscription Price when determining the fairness and reasonableness of the terms of the Rights Issue (together with the Bonus Issue).

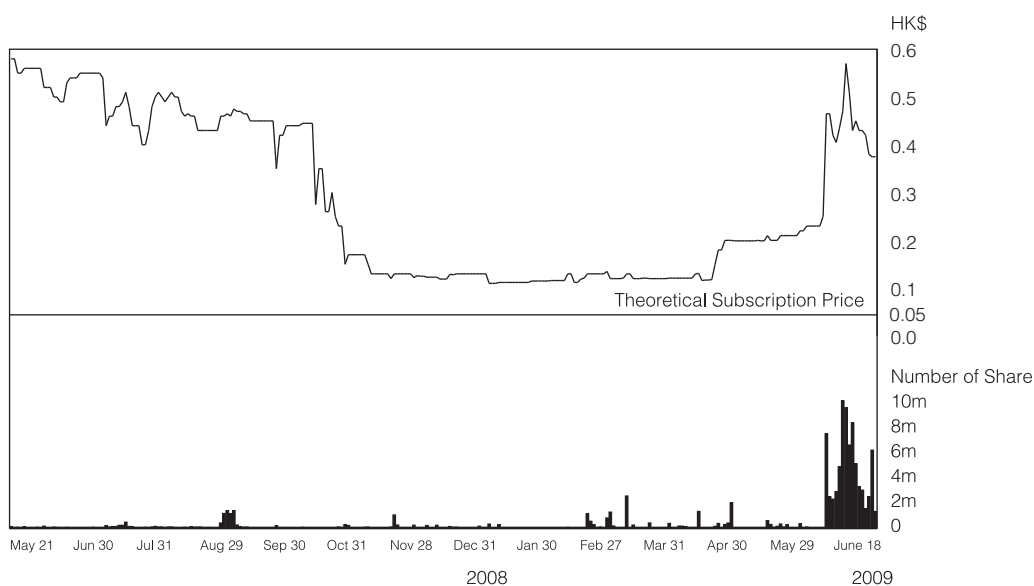
The Theoretical Subscription Price of HK\$0.05 per Rights Share represents:

- (1) a discount of approximately 78.26% to the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;
- (2) a discount of approximately 77.88% to the average closing price of about HK\$0.226 per Share for the last five trading days as quoted on GEM up to and including the Last Trading Day;
- (3) a discount of approximately 77.06% to the average closing price of about HK\$0.218 per Share for the last ten trading days as quoted on GEM up to and including the Last Trading Day;
- (4) a discount of approximately 60.63% to the theoretical ex-right price (after taking into consideration the Bonus Issue) of about HK\$0.127 per Share based on the closing price of HK\$0.23 per Share as quoted on GEM on the Last Trading Day;
- (5) a discount of approximately 79.17% to the net asset value per Share of approximately HK\$0.24 based on the audited consolidated net asset value of the Group as at 31 December 2008; and
- (6) a discount of approximately 86.67% to the closing price of HK\$0.375 per Share as quoted on GEM on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Theoretical Subscription Price, we have reviewed the movements in trading price of the Shares during the period from 21 May 2008, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Review Period**”).

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Closing prices and trading volume of the Shares during the Review Period



Note: Trading in the Shares was suspended from 22 May 2009 to 25 May 2009.

Source: Bloomberg

As illustrated in the above chart, the Shares were traded above the Theoretical Subscription Price throughout the Review Period. The closing price of the Shares was at the highest level of HK\$0.58 on 21 May 2008 during the Review Period and decreased to the lowest level of HK\$0.11 on 22 December 2008. After a steady period, the share price rallied to the level of around HK\$0.2 in March 2009. After the publication of the announcement in relation to the Rights Issue (together with the Bonus Issue) on 26 May 2009, the closing price of the Shares surged to HK\$0.465 on 27 May 2009 and was HK\$0.375 on the Latest Practicable Date. We were informed by the Directors that they were not aware of any conclusive reason for the price movement of the Shares throughout the Review Period except the change in general market sentiment in the Hong Kong stock market.

We also noted that the average daily trading volume in the Shares during the Review Period was approximately 0.35 million Shares, which represented only approximately 0.07% of the entire issued share capital of the Company as at the Latest Practicable Date. The low percentage demonstrated that the liquidity of the Shares under the Review Period is very low.

In order to provide Independent Shareholders a reference to consider the Theoretical Subscription Price in light of the prevailing market condition, we have also attempted to compare the trading statistics of the other companies listed on the Stock Exchange with principal businesses and financial positions similar to that of the Company which have conducted rights issues or open offers with terms similar to the Rights Issue within the six-month period before the Latest Practicable Date. However, we were unable to find such comparables for a fair comparison as the companies vary either in the business scope or financial position.

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Having considered that (i) it is a common practice for listed issuers to offer rights shares at a deep discount to their prevailing share prices in order to provide incentives to qualifying shareholders as well as underwriters to participate in such rights issues; (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue (together with the Bonus Issue) and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company; and (iii) a discount of the Theoretical Subscription Price to the market price and net asset value of the Company will encourage the Qualifying Shareholders to take up their corresponding Rights Shares, we consider that the Theoretical Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders, any unsold fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the EAF and lodging the same with appropriate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, in proportion to the number of excess Rights Shares being applied for under each application, except that preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lots holdings to whole-lot holdings.

Since the allocation basis adopted by the Company allows the shareholding of each Qualifying Shareholder, except for those who do not take up their rights entitlements under the provisional allotment and/or apply for excess Rights Shares, be largely maintained after the completion of the Rights Issue, we concur with the Directors that the basis of allocation of the excess Rights Shares is fair and reasonable so far as the Independent Shareholders are concerned.

3. Dilution effect of the Rights Issue (together with the Bonus Issue) on shareholding interests

Set out below is the shareholding structure of the Company extract from the Letter from the Board (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (together with the Bonus Issue) (assuming that all Qualifying Shareholders have taken up their respective entitlements under the Rights Issue); and (iii) immediately after completion of the Rights Issue (together with the Bonus Issue)

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(assuming that the Underwriter has taken up all the entitlements of the Qualifying Shareholders, other than the Substantial Shareholders, under the Rights Issue):

	As at the date of the Latest Practicable Date		Immediately after completion of the Rights Issue together with the Bonus Issue (assuming that all Qualifying Shareholders have taken up their respective entitlements under the Rights Issue)		Immediately after completion of the Rights Issue together with the Bonus Issue (assuming that the Underwriter has taken up all the entitlements of the Qualifying Shareholders, other than the Substantial Shareholders, under the Rights Issue)	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
Chow Companies and parties acting in concert with any of them	174,977,592	34.89%	408,281,048	34.89%	408,281,048	34.89%
Harbour Master	79,356,183	15.83%	185,164,427	15.83%	185,164,427	15.83%
Value Partners Group	76,086,297	15.17%	177,534,691	15.17%	177,534,691	15.17%
Sub-total of Shareholders who have given the Undertakings	330,420,072	65.89%	770,980,166	65.89%	770,980,166	65.89%
Ramwealth Company Limited	5,025,055	1.00%	11,725,127	1.00%	5,025,055	0.43%
Underwriter	0	0.00%	0	0.00%	228,095,084	19.49%
Public Shareholders	166,046,259	33.11%	387,441,271	33.11%	166,046,259	14.19%
Sub-total	171,071,314	34.11%	399,166,398	34.11%	399,166,398	34.11%
Total	501,491,386	100.00%	1,170,146,564	100.00%	1,170,146,564	100.00%

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full entitlements under the Rights Issue and do not apply for excess Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue (together with the Bonus Issue).

For those Qualifying Shareholders who do not subscribe for their full entitlements under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted to 14.19% at maximum. However, such Shareholders will have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market during the dealing of nil-paid Rights Shares on the Stock Exchange, subject to the then prevailing market conditions. Meanwhile, the Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue (together with the Bonus Issue) may, subject to availability, acquire additional nil-paid Rights Shares in the market or apply for excess Rights Shares.

We would like to draw the Independent Shareholders' attention to the fact that, in case the Underwriter has taken up all the entitlements of the Qualifying Shareholders, other than the Substantial Shareholders, under the Rights Issue (together with the Bonus Issue), the percentage of shareholding of the public Shareholders will be reduced from approximately 33.11% as at the Latest Practicable Date to 14.19% immediately upon completion of the Rights Issue.

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As stated in the Letter from the Board, as at the Latest Practicable Date, VC Brokerage has entered into sub-underwriting agreements with various sub-underwriters, being clients of VC Brokerage, to sub-underwrite all the Underwritten Shares. To the best knowledge, information and belief of the Directors, having made reasonable enquiries, each of the sub-underwriters (i) are not connected with the Company and its connected persons; (ii) are not existing Shareholders; and (iii) the number of Shares being sub-underwritten by each of these sub-underwriters represents less than 10% of the issued share capital of the Company as at the Latest Practicable Date. The Company will take appropriate steps to ensure that not less than 25% of the issued share capital of the Company would be held by the public immediately upon completion of the Rights Issue (together with the Bonus Issue).

In conclusion, we are of the view that the arrangement for the Rights Issue is in line with the recent market practice for rights issue and the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and the Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full entitlements under the Rights Issue.

In addition, as discussed in the paragraph "Reasons for the Rights Issue (together with the Bonus Issue) and the use of proceeds" above, in view of (i) the needs of the Group for the additional funding to serve its general working capital requirements and the investment requirements; and (ii) the Group's loss-making track record and net current liabilities position would place difficulties for the Company to raise capital from external sources, we are of the opinion that existing public Shareholders would have less prospects of improvement in the value of their attributable interest in the Company in the event that the Group is unlikely to obtain additional capital funding at its current financial status to support its expansion needs. As such, we consider that the possible dilution effect of the shareholding of existing public Shareholders who do not take up their entitlement is acceptable taking into account various favourable impacts on the Group brought by the Rights Issue (together with the Bonus Issue).

4. Possible financial effects on the Group upon completion of the Rights Issue (together with the Bonus Issue)

(a) Net tangible assets

Based on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular, assuming the Rights Issue (together with the Bonus Issue) had taken place on 31 December 2008, the unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company as at 31 December 2008 shall be approximately HK\$138.73 million as compared to the audited consolidated net tangible assets attributable to shareholders of the Company as at 31 December 2008 of approximately HK\$106.69 million.

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(b) Cashflow

The net proceeds that the Company would receive from the Rights Issue (together with the Bonus Issue) after deducting the related expenses, are approximately HK\$32.0 million. Therefore, the Group will have a net cash inflow of approximately HK\$32.0 million upon completion of the Rights Issue (together with the Bonus Issue).

(c) Gearing

The Rights Issue (together with the Bonus Issue) will result in an increase in total assets of the Group. Therefore, the gearing of the Group, as expressed in the ratio of total liabilities to total assets, would decrease after completion of the Rights Issue (together with the Bonus Issue).

Based on the above, the Rights Issue (together with the Bonus Issue) will have positive effects to the Group's net tangible assets, cashflow and gearing. Accordingly, we consider that the Rights Issue (together with the Bonus Issue) is in interests of the Company and the Shareholders as a whole.

CONCLUSIONS

Having considered the abovementioned principal factors and reasons for the Rights Issue (together with the Bonus Issue), we consider that the Rights Issue (together with the Bonus Issue) is on normal commercial terms and the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned. We are of the opinion that the Rights Issue (together with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Rights Issue (together with the Bonus Issue) at the EGM.

However, we would like to remind the Shareholders that (i) the construction of the Heavy Item Port, which is expected to use up the major part of the proceeds from the Rights Issue (together with the Bonus Issue), may or may not be completed in the future and thus its expected benefit may not be realized; and (ii) for those Shareholders who do not take up their entitlement, their shareholding interests in the Company will be diluted.

For and on behalf of
GF Capital (Hong Kong) Limited
Danny Wan

Managing Director and Head of Corporate Finance

(A) SUMMARY FINANCIAL INFORMATION

The following is a summary of the results highlights of the Group for each of the three years ended 31 December 2008 and for each of the three months ended 31 March 2008 and 2009 as extracted from the respective annual reports and the quarterly reports of the Company. There were neither extraordinary nor exceptional items during each of the three years ended 31 December 2008. No qualified opinion has been issued by the Company's auditors, Grant Thornton, Certified Public Accountants, for each of the three years ended 31 December 2008.

	For the three months ended		For the year ended		
	31 March		31 December		
	2009	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	11,989	8,610	42,304	33,521	16,122
Cost of services rendered	(6,040)	(4,295)	(19,213)	(18,075)	(6,888)
Gross profit	5,949	4,315	23,091	15,446	9,234
Other income	94	82	11,513	5,091	556
General and administrative expenses	(3,978)	(4,158)	(19,311)	(17,727)	(15,050)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	2,065	239	15,293	2,810	(5,260)
Finance costs	(3,084)	(3,845)	(15,929)	(11,921)	(5,140)
Earnings before taxation, depreciation and amortisation (EBTDA)	(1,019)	(3,606)	(636)	(9,111)	(10,400)
Depreciation and amortisation	(2,880)	(2,287)	(9,827)	(8,135)	(5,628)
Loss before taxation	(3,899)	(5,893)	(10,463)	(17,246)	(16,028)
Taxation	-	-	-	-	-
Loss for the period/year	<u>(3,899)</u>	<u>(5,893)</u>	<u>(10,463)</u>	<u>(17,246)</u>	<u>(16,028)</u>
Attributable to:					
Shareholders of the Company	(3,614)	(5,385)	(10,516)	(16,283)	(14,985)
Minority interest	(285)	(508)	53	(963)	(1,043)
	<u>(3,899)</u>	<u>(5,893)</u>	<u>(10,463)</u>	<u>(17,246)</u>	<u>(16,028)</u>
Loss per Share – Basic	<u>HK0.72 cent</u>	<u>HK1.07 cents</u>	<u>HK2.10 cents</u>	Restated <u>HK3.53 cents</u>	<u>HK3.94 cents</u>
Dividend	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The following is a summary of the balance sheet of the Group for each of the three years ended 31 December 2008 as extracted from the respective annual reports of the Company.

	As at 31 December		
	2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets	296,029	279,276	258,576
Current assets	34,638	53,405	8,052
Current liabilities	(37,294)	(120,777)	(26,652)
Net current liabilities	(2,656)	(67,372)	(18,600)
Non-current liabilities	(171,028)	(85,694)	(150,160)
	<u>122,345</u>	<u>126,210</u>	<u>89,816</u>
TOTAL EQUITY			
Share Capital	50,149	45,590	37,992
Reserves	56,544	65,972	40,240
Minority interest	15,652	14,648	11,584
	<u>122,345</u>	<u>126,210</u>	<u>89,816</u>

(B) AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following are the audited financial statements together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	5	42,304	33,521
Cost of services rendered		<u>(19,213)</u>	<u>(18,075)</u>
Gross profit		23,091	15,446
Other income	6	11,513	5,091
Other operating expenses		(5,785)	(4,808)
General and administrative expenses		(23,353)	(21,054)
Finance costs	10	<u>(15,929)</u>	<u>(11,921)</u>
Loss before taxation	7	(10,463)	(17,246)
Taxation	11	<u>–</u>	<u>–</u>
Loss for the year		<u><u>(10,463)</u></u>	<u><u>(17,246)</u></u>
Attributable to:			
Shareholders of the Company	12	(10,516)	(16,283)
Minority interest		<u>53</u>	<u>(963)</u>
		<u><u>(10,463)</u></u>	<u><u>(17,246)</u></u>
Loss per share – Basic	13	<u><u>HK2.10 cents</u></u>	<u><u>HK3.53 cents</u></u> (restated)
Dividend	14	<u><u>–</u></u>	<u><u>–</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>15</i>	282,755	263,581
Land use rights	<i>16</i>	8,756	8,424
Construction in progress	<i>17</i>	4,518	7,271
		<u>296,029</u>	<u>279,276</u>
Current assets			
Inventories	<i>18</i>	933	779
Account receivables	<i>19</i>	11,252	7,393
Prepayments, deposits and other receivables		2,727	2,438
Government subsidy receivables	<i>20</i>	11,115	–
Cash and cash equivalents	<i>21</i>	8,611	42,795
		<u>34,638</u>	<u>53,405</u>
Current liabilities			
Accrued expenses and other payables	<i>22</i>	8,728	13,711
Current portion of interest-bearing borrowings	<i>23</i>	28,566	107,066
		<u>37,294</u>	<u>120,777</u>
Net current liabilities		<u>(2,656)</u>	<u>(67,372)</u>
Total assets less current liabilities		293,373	211,904
Non-current liabilities			
Long-term interest-bearing borrowings	<i>23</i>	(171,028)	(85,694)
NET ASSETS		<u>122,345</u>	<u>126,210</u>
Capital and reserves			
Share capital	<i>24</i>	50,149	45,590
Reserves	<i>25</i>	56,544	65,972
Equity attributable to shareholders of the Company		106,693	111,562
Minority interest		15,652	14,648
TOTAL EQUITY		<u>122,345</u>	<u>126,210</u>

BALANCE SHEET*As at 31 December 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	26	<u>50,897</u>	<u>50,897</u>
Current assets			
Prepayments, deposits and other receivables		150	150
Due from a subsidiary	26	<u>94,176</u>	<u>94,176</u>
		<u>94,326</u>	<u>94,326</u>
Current liabilities			
Accrued expenses and other payables		413	255
Due to a subsidiary	27	<u>5,806</u>	<u>4,099</u>
		<u>6,219</u>	<u>4,354</u>
Net current assets		<u>88,107</u>	<u>89,972</u>
NET ASSETS		<u><u>139,004</u></u>	<u><u>140,869</u></u>
Capital and reserves			
Share capital	24	50,149	45,590
Reserves	25	<u>88,855</u>	<u>95,279</u>
TOTAL EQUITY		<u><u>139,004</u></u>	<u><u>140,869</u></u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 December 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before taxation		(10,463)	(17,246)
Adjustments for:			
Depreciation and amortisation		9,827	8,135
Loss on disposal of financial assets at fair value through profit or loss		170	878
Loss on disposal of property, plant and equipment		94	20
Bank interest income		(251)	(436)
Finance costs		15,929	11,921
Dividend income		–	(418)
Share-based payment transactions		234	–
		<u>15,540</u>	<u>2,854</u>
Operating profit before working capital changes		15,540	2,854
Account receivables		(3,375)	(1,692)
Prepayments, deposits and other receivables		(192)	(1,138)
Government subsidy receivables		(11,115)	–
Inventories		(103)	(152)
Accrued expenses and other payables		(5,717)	(12,664)
Due to related companies		–	(200)
		<u>(4,962)</u>	<u>(12,992)</u>
Cash used in operation		(4,962)	(12,992)
Interest paid		(15,929)	(11,921)
		<u>(20,891)</u>	<u>(24,913)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Interest received		251	436
Dividend received		–	418
Purchase of property, plant and equipment		(2,657)	(5,245)
Purchase of financial assets at fair value through profit or loss		(3,297)	(22,561)
Payment for construction in progress		(6,818)	(6,784)
Proceeds from disposal of property, plant and equipment		67	185
Proceeds from disposal of financial assets at fair value through profit or loss		3,127	21,683
		<u>(9,327)</u>	<u>(11,868)</u>
Net cash used in investing activities			

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash flows from financing activities			
Repayment of advances from a shareholder		–	(1,636)
Payment of share issuing expenses		(29)	(144)
Repayment of obligations under finance lease		(66)	(66)
Drawdown of bank loans		102,600	32,100
Repayment of bank loans		(108,300)	–
Capital contribution from minority interest of non-wholly owned subsidiary		–	3,158
Net proceeds from issue of shares		–	44,830
		<u>–</u>	<u>44,830</u>
Net cash (used in)/from financing activities		<u>(5,795)</u>	<u>78,242</u>
Net (decrease) increase in cash and cash equivalents			
		(36,013)	41,461
Exchange differences		1,829	448
Cash and cash equivalents at beginning of year		<u>42,795</u>	<u>886</u>
Cash and cash equivalents at end of year	<i>21</i>	<u><u>8,611</u></u>	<u><u>42,795</u></u>

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

The Group

	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 January 2007	37,992	66,101	-	4,876	(30,737)	78,232	11,584	89,816
Net income recognised directly to equity								
– Exchange differences on consolidation	-	-	-	4,927	-	4,927	869	5,796
Loss for the year	-	-	-	-	(16,283)	(16,283)	(963)	(17,246)
Total recognised income (expenses) for the year	-	-	-	4,927	(16,283)	(11,356)	(94)	(11,450)
Capital contribution from minority interest of non-wholly owned subsidiary	-	-	-	-	-	-	3,158	3,158
Issue of shares	7,598	37,232	-	-	-	44,830	-	44,830
Share issuing expenses	-	(144)	-	-	-	(144)	-	(144)
	<u>7,598</u>	<u>37,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,686</u>	<u>3,158</u>	<u>47,844</u>
At 31 December 2007 and 1 January 2008	45,590	103,189	-	9,803	(47,020)	111,562	14,648	126,210
Net income recognised directly to equity								
– Exchange differences on consolidation	-	-	-	5,442	-	5,442	951	6,393
Loss for the year	-	-	-	-	(10,516)	(10,516)	53	(10,463)
Total recognised income (expenses) for the year	-	-	-	5,442	(10,516)	(5,074)	1,004	(4,070)
Bonus issue of shares	4,559	(4,559)	-	-	-	-	-	-
Share issuing expenses	-	(29)	-	-	-	(29)	-	(29)
Share-based payment transactions	-	-	234	-	-	234	-	234
	<u>4,559</u>	<u>(4,588)</u>	<u>234</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>-</u>	<u>205</u>
At 31 December 2008	50,149	98,601	234	15,245	(57,536)	106,693	15,652	122,345

The Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	37,992	66,101	–	(5,046)	99,047
Issue of shares	7,598	37,232	–	–	44,830
Share issuing expenses	–	(144)	–	–	(144)
Loss for the year	–	–	–	(2,864)	(2,864)
<hr/>					
At 31 December 2007 and 1 January 2008	45,590	103,189	–	(7,910)	140,869
Bonus issue of shares	4,559	(4,559)	–	–	–
Share issuing expenses	–	(29)	–	–	(29)
Share-based payment transactions	–	–	234	–	234
Loss for the year	–	–	–	(2,070)	(2,070)
<hr/>					
At 31 December 2008	<u>50,149</u>	<u>98,601</u>	<u>234</u>	<u>(9,980)</u>	<u>139,004</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

CIG Yangtze Ports PLC is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at GT Uglan House, South Church Street, George Town, Grand Cayman, the Cayman Islands. The principal place of business of the Company is 2909A, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and the principal activities of Wuhan International Container Transshipment Company Limited ("WIT"), the major operating subsidiary, are port construction and operation.

2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied for the first time the IFRIC Interpretation 11: IFRS 2 – Group and Treasury Share Transactions issued by the International Accounting Standards Board ("IASB"), which is relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008. The adoption of this New Interpretation had no material impact on how the results and financial positions of the Group and the Company for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the Standards or Interpretations that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these IFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES**3.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

3.2 BASIS OF MEASUREMENT

The measurement basis used in the preparation of these financial statements is historical cost.

3.3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") make up to 31 December, each year. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, until the date such control ceases.

All intercompany transactions and balances within the Group are eliminated on consolidation.

3.4 SUBSIDIARIES

A company is a subsidiary of the Company if the Company, directly or indirectly, holds more than 50% of the issued voting capital of the investee company, or if the Company is in a position to appoint the majority of the members of the board of directors and/or is able to govern the financial and operating policies of the investee company under a statute or agreement among the shareholders or equity holders.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.5 MINORITY INTEREST

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interest is presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment is provided on the following bases to write off the cost of each asset over the following estimated useful lives:

Port facilities – foundation works	Over the remaining joint venture period, straight line method
– others	Units of production method
Terminal equipments	5-20 years, straight line method
Furniture and equipments	1-5 years, straight line method
Motor vehicles	5 years, straight line method
Leasehold improvements	Shorter of unexpired lease or useful lives

When assets are sold or retired, their costs and accumulated depreciation and impairment are eliminated from the balance sheet and any gain or loss resulting from their disposals, being the difference between the net disposal proceeds and the carrying amount, is dealt with in the income statement.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

3.7 CONSTRUCTION IN PROGRESS

Construction in progress represents port facilities and terminal equipment under construction and is stated at cost less impairment loss. Cost includes cost of construction, plant and equipment and other direct costs (such as borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance the port project during the construction year, to the extent these are regarded as an adjustment to interest charges).

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into operational use at which time they will be transferred to property, plant and equipment.

3.8 LAND USE RIGHTS

Land use rights represent amounts paid for the acquisition of the rights to use land located in the PRC for periods of 50 years. Land use rights are recognised as prepayments for operating leases and amortised to income statement over the lease terms.

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, land use rights, construction in progress and investment in subsidiaries are reviewed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

3.10 FINANCIAL ASSETS

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

The Group's financial assets mainly comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- (d) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.11 FINANCIAL LIABILITIES

The Group's financial liabilities include accruals and other payables, bank loans, and financing leases liabilities. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest rate method. They are included in balance sheet line items as accrued expenses and other payables or borrowings under current or non current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.12 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand, on demand deposits and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sales.

3.14 SHARE CAPITAL

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

3.15 GOVERNMENT SUBSIDIES

Subsidies from government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and that the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3.16 REVENUE RECOGNITION

Revenue comprises the fair value of services rendered is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Cargo handling and related service fees are recognised when services are rendered.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.17 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

In the consolidated financial statements, all individual financial statement of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted in to Hong Kong dollars. Asset and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the foreign exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' entity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.18 BORROWING COSTS

Borrowing costs are expensed as incurred except when they are directly attributable to the construction or acquisition of qualifying assets that necessarily take a substantial period of time to prepare for its intended use. Such borrowing costs are capitalised as part of the cost of that property or equipment until the asset is ready for its intended use.

3.19 LEASES

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Operating lease charges as the lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating lease. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.20 EMPLOYEE BENEFITS

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Payments made to state-managed retirement benefit schemes are dealt in the same manner as payments to defined contribution plans, as the Group's obligations under the schemes are similar to those arising in a defined contribution retirement benefit plan, and are charged as expenses as they fall due.

3.21 SHARE-BASED EMPLOYEE COMPENSATION

The Group operates equity-settled share-based compensation plans to remunerate its employees and directors and in exchange for goods or services rendered. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding credit to share-based payment reserve, net of deferred tax where applicable at the grant date. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, and if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

3.22 TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

3.23 RELATED PARTIES

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;

- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of trade and other receivables

Impairment of trade and other receivables of the Group is determined based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

Impairment of assets

Port facilities, terminal equipments and construction in progress are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the WIT Port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan.

4. SEGMENTAL INFORMATION

All of the Group's turnover and contribution to loss from operating activities were derived from its principal activities of port operations in the People's Republic of China ("PRC"). Hence, no segmental information is presented.

5. TURNOVER

	2008 HK\$'000	2007 HK\$'000
Container handling service	26,249	19,480
General and bulk cargo handling service	2,922	1,035
Agency income	5,479	6,939
Integrated logistics services	7,654	6,067
	42,304	33,521
	42,304	33,521

6. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income	251	436
Dividend income	–	418
Net loss on financial assets at fair value through profit or loss	(170)	(878)
Sundry income	317	150
Government subsidies	11,115	4,965
	<u>11,513</u>	<u>5,091</u>

Government subsidies are in respect of the subsidies granted by the Hubei Provincial and Wuhan Municipal governments to WIT.

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
– Salaries and allowances	14,574	11,986
– Share-based payment transactions	234	–
– Pension contributions	516	417
	<u>15,324</u>	<u>12,403</u>
Auditors' remuneration	360	399
Depreciation		
– owned assets	9,550	7,871
– leased assets	59	59
Amortisation of prepaid lease payment for land use rights	218	205
Loss on disposal of property, plant and equipment	94	20
Operating lease rental	1,127	695
Net loss on financial assets at fair value through profit or loss	170	878
Net foreign exchange losses	241	223
	<u>241</u>	<u>223</u>

8. DIRECTORS' REMUNERATION

Directors' remunerations for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Number of directors	
	2008	2007
Executive directors	1	1
Non-executive directors	3	4
Independent non-executive directors	3	3
	<u>7</u>	<u>8</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Details of directors' emoluments for the year ended 31 December 2008 were:

Name of director	Title	Fee	Salaries, allowances and benefits in kind	Share- based payment transactions	Pension contribution	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chow Kwong Fai, Edward	Executive director	140	1,951	3	12	2,106
Wong Yuet Leung, Frankie	Non-executive director	146	–	3	–	149
Lee Jor Hung, Dannis	Non-executive director	140	–	3	–	143
Goh Pek Yang, Michael	Non-executive director	140	–	3	–	143
Wong Tin Yau, Kelvin	Independent non-executive director	146	–	3	–	149
Lee Kang Bor, Thomas	Independent non-executive director	146	–	3	–	149
Leung Kwong Ho, Edmund	Independent non-executive director	146	–	–	–	146
		<u>1,004</u>	<u>1,951</u>	<u>18</u>	<u>12</u>	<u>2,985</u>

Details of directors' emoluments for the year ended 31 December 2007 were:

Name of director	Title	Fee	Salaries, allowances and benefits in kind	Pension contribution	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chow Kwong Fai, Edward	Executive director	123	1,800	12	1,935
Zhao Cong, Richard	Non-executive director	–	–	–	–
Wong Yuet Leung, Frankie	Non-executive director	120	–	–	120
Lee Jor Hung, Dannis	Non-executive director	120	–	–	120
Goh Pek Yang, Michael	Non-executive director	120	–	–	120
Wong Tin Yau, Kelvin	Independent non-executive director	120	–	–	120
Lee Kang Bor, Thomas	Independent non-executive director	120	–	–	120
Leung Kwong Ho, Edmund	Independent non-executive director	120	–	–	120
		<u>843</u>	<u>1,800</u>	<u>12</u>	<u>2,655</u>

There was no arrangement under which a director waived or agreed to waive any emoluments during the current and the prior year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one director (2007: one director) whose emoluments are reflected in the analysis presented in note 8 above. The emoluments payable to the remaining four (2007: four) individuals during the year were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and allowances	1,971	2,083
Share-based payment transactions	40	–
Pension contributions	33	36
	<u>2,044</u>	<u>2,119</u>

The remuneration of each of the non-director, highest paid employees for the years ended 31 December 2008 and 2007 fell within the band of Nil to HK\$1,000,000.

10. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interests on bank loans wholly repayable within 5 years	15,917	11,792
Interests on advances from a shareholder	–	116
Finance charges on obligations under finance lease	12	13
	<u>15,929</u>	<u>11,921</u>

11. TAXATION

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the PRC engaging in port and dock construction with year which exceeds 15 years and upon approval by the tax bureau, WIT is entitled to exemption from PRC enterprise income tax for five years (the “5-Year Exemption Entitlement”) and a 50% reduction for five years thereafter (the “5-Year 50% Tax Reduction Entitlement”). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, will end on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement will commence from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

During the year, WIT did not have any profit which was subject to taxation.

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries which are subject to Hong Kong Profits Tax incurred a loss for taxation purpose for the year.

Reconciliation between tax expense and accounting loss at applicable tax rate:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before taxation	(10,463)	(17,246)
Income tax at applicable tax rate of 18% (2007: 15%)	(1,883)	(2,587)
Non-deductible expenses	419	207
Tax exempt revenue	(4)	(414)
Unrecognised tax losses	1,697	3,299
Unrecognised temporary differences	(180)	(171)
Difference in tax rate	154	(334)
Others	(203)	–
Tax expense for the year	–	–

The Group has not recognised deferred tax assets in respect of tax losses of HK\$72,719,000 (2007: HK\$60,085,000). Under the current tax legislation, tax losses of HK\$40,923,000 (2007: HK\$38,577,000) can be carried forward for five years since the year the loss is incurred, tax losses of HK\$31,796,000 (2007: HK\$21,508,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss for the year ended 31 December 2008 attributable to shareholders of the Company dealt with in the financial statements of the Company was HK\$2,070,000 (2007: HK\$2,864,000).

13. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to shareholders of the Company of HK\$10,516,000 (2007: HK\$16,283,000), and the weighted average number of 501,491,386 (2007: 461,417,874) ordinary shares in issue during the year.

The number of shares for the purpose of calculating basic loss per share for year ended 31 December 2007 has been adjusted to reflect the bonus issue of shares during the year.

No diluted earnings per share has been presented because the only potential dilutive shares are those of the share options granted under the Share Option Scheme but the conditions for the exercise of such options have not yet been met during the year. Details of the share options granted and the Share Option Scheme are set out in the Section headed “Share Option Scheme” in note 29 to the financial statements.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year (2007: Bonus issue of shares on the basis of one bonus share for every ten existing shares held in lieu of a cash dividend).

15. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK\$'000	Terminal equipment HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Net book value						
At 1 January 2008	225,794	35,361	1,424	915	87	263,581
Exchange differences on consolidation	13,792	2,313	88	47	–	16,240
Additions	262	1,023	446	822	104	2,657
Transferred from construction in progress	8,284	1,763	–	–	–	10,047
Disposals	–	(34)	(33)	(94)	–	(161)
Depreciation	(5,470)	(3,007)	(555)	(547)	(30)	(9,609)
Net book value At 31 December 2008	242,662	37,419	1,370	1,143	161	282,755
At 31 December 2008						
Cost	258,596	50,192	3,743	2,837	194	315,562
Accumulated depreciation	(15,934)	(12,773)	(2,373)	(1,694)	(33)	(32,807)
Net book value	242,662	37,419	1,370	1,143	161	282,755
Net book value						
At 1 January 2007	212,709	34,030	1,547	1,179	–	249,465
Exchange differences on consolidation	13,823	2,382	104	65	–	16,374
Additions	3,389	1,420	272	74	90	5,245
Transferred from construction in progress	230	402	–	–	–	632
Disposals	–	(199)	(6)	–	–	(205)
Depreciation	(4,357)	(2,674)	(493)	(403)	(3)	(7,930)
Net book value At 31 December 2007	225,794	35,361	1,424	915	87	263,581
At 31 December 2007						
Cost	235,660	44,551	3,389	2,053	90	285,743
Accumulated depreciation	(9,866)	(9,190)	(1,965)	(1,138)	(3)	(22,162)
Net book value	225,794	35,361	1,424	915	87	263,581

Property, plant and equipment of WIT with an aggregate net book value at the balance sheet date of HK\$152,163,000 (2007: HK\$148,137,000) were pledged to secure bank loans granted to WIT.

Motor vehicle with net book value of HK\$136,000 (2007: HK\$195,000) is held under finance lease.

16. LAND USE RIGHTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net book value at beginning of year	8,424	8,065
Exchange differences on consolidation	550	564
Amortisation	(218)	(205)
	<u>8,756</u>	<u>8,424</u>
Net book value at end of year	<u>8,756</u>	<u>8,424</u>
At balance sheet date		
Cost	9,741	9,143
Accumulated amortisation	(985)	(719)
	<u>8,756</u>	<u>8,424</u>
Net book value	<u>8,756</u>	<u>8,424</u>

Land use rights of WIT with an aggregate net book value at the balance sheet date of HK\$8,756,000 (2007: HK\$8,424,000) were pledged to secure bank loans granted to WIT.

17. CONSTRUCTION IN PROGRESS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At cost		
At beginning of year	7,271	1,046
Exchange differences on consolidation	476	73
Additions	6,818	6,784
Transferred to property, plant and equipment	(10,047)	(632)
	<u>4,518</u>	<u>7,271</u>
At balance sheet date	<u>4,518</u>	<u>7,271</u>

18. INVENTORIES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Consumables, at cost	<u>933</u>	<u>779</u>

19. ACCOUNT RECEIVABLES

An aging analysis of account receivables at the balance sheet date, based on invoice dates, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	5,578	2,726
31 – 60 days	3,218	2,110
61 – 90 days	1,598	1,517
Over 90 days	858	1,040
	<u>11,252</u>	<u>7,393</u>
	<u>11,252</u>	<u>7,393</u>

The Group allows a credit period of 60 days to 90 days to its trade customers. All of the Group's account receivables have been reviewed for indicators of impairment and no impairment has been recognised on account receivables for the two years ended 31 December 2008 and 2007.

The aging of account receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not past due	10,189	5,450
1 to 90 days past due	1,063	1,668
Over 90 days past due	—	275
	<u>11,252</u>	<u>7,393</u>

Account receivables that are not past due related to a wide range of customers for whom there was no recent history of default.

Account receivables that are past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these receivables as there have not been any significant changes in credit qualities of or any recent history of defaults from these customers, hence considered these receivables to be recoverable. The Group does not hold any collateral over these balances.

20. GOVERNMENT SUBSIDY RECEIVABLES

These are subsidies granted by the Hubei Provincial and Wuhan Municipal governments to WIT. HK\$5,084,400 of such subsidies has been received since 31 December 2008.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of bank balances and cash of HK\$8,611,000 (2007: HK\$26,415,000), pledged deposit of Nil (2007: HK\$3,896,000), time deposits of Nil (2007: HK\$6,170,000) and proceeds from disposal of financial assets of Nil (2007: HK\$6,314,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

22. ACCRUED EXPENSES AND OTHER PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Payables to contractors and equipment suppliers	1,784	8,052
Accrued expenses and other payables	6,944	5,659
	<u>8,728</u>	<u>13,711</u>

An aging analysis of accrued expenses and other payables as at the balance sheet date, based on the invoice dates, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	4,494	5,106
31 – 60 days	569	1,253
61 – 90 days	289	508
91 – 180 days	65	436
Over 180 days	3,311	6,408
	<u>8,728</u>	<u>13,711</u>

Included in the over 180 days balance of HK\$3,311,000 is an amount of HK\$2,590,000 relating to retentions on the construction of port and related facilities of WIT.

23. INTEREST-BEARING BORROWINGS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank loans		
Unsecured	68,400	64,200
Secured	131,100	128,400
	<u>199,500</u>	<u>192,600</u>
Obligations under finance lease	94	160
	<u>199,594</u>	<u>192,760</u>
Current portion	28,566	107,066
Non-current portion	171,028	85,694
	<u>199,594</u>	<u>192,760</u>

BANK LOANS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amount repayable:		
Within one year	28,500	107,000
Within the second year	79,800	10,700
Within the third year	91,200	74,900
	<u>199,500</u>	<u>192,600</u>

The unsecured bank loan of HK\$68,400,000 (RMB60,000,000) (2007: HK\$64,200,000 (RMB60,000,000)), which is granted to WIT, is supported by a corporate guarantee for a maximum sum of HK\$75,240,000 (RMB66,000,000) provided by the Company to the bank. Details of securities provided to banks for secured bank loans are set out in note 33 to the financial statements. All bank loans are interest-bearing in the range of 5.94% to 8.69% per annum.

After 31 December 2008, the Group procured an additional banking facility of HK\$11,400,000 (RMB10,000,000) from a PRC bank.

OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amount payable:				
Within one year	79	79	66	66
In the second to fifth years inclusive	33	111	28	94
	<u>112</u>	<u>190</u>	<u>94</u>	<u>160</u>
Future finance charges	(18)	(30)	–	–
Present value of lease obligations	<u>94</u>	<u>160</u>	<u>94</u>	<u>160</u>

24. SHARE CAPITAL

	2008		2007	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of year	455,901,260	45,590	379,917,717	37,992
Issue of shares	–	–	75,983,543	7,598
Bonus issue of shares	45,590,126	4,559	–	–
At balance sheet date	<u>501,491,386</u>	<u>50,149</u>	<u>455,901,260</u>	<u>45,590</u>

At the annual general meeting of the shareholders (“Shareholders”) of the Company held on 5 May 2008, Shareholders approved the resolution for a one for ten bonus issue of shares (the “Bonus Share Issue”) in lieu of cash dividend. Following approval for listing of the new shares under the Bonus Share Issue, a total of 45,590,126 shares were issued at par to Shareholders, taking the total number of shares of the Company in issue to 501,491,386 shares. These shares rank pari passu with the existing shares in all respects.

25. RESERVES

Details of movements in reserves of the Group and the Company for the current and the prior year are disclosed in the statements of changes in equity on pages 44 and 45.

SHARE PREMIUM

The application of share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provision of the Company’s Memorandum and Articles of Association.

EXCHANGE RESERVES

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. These reserves are dealt with in accordance with the policies set out in note 3.17 to the financial statements.

DISTRIBUTABLE EARNINGS

The statutory financial statements of the Company's principal subsidiary in the PRC, WIT is prepared under generally accepted accounting principles in the PRC which differ from International Financial Reporting Standards. Any dividends paid by WIT will be based on profits as reported in its statutory financial statements. Accordingly, distributable retained earnings would be limited to the amounts of available retained earnings as recorded in the statutory financial statements of WIT.

At 31 December 2008, WIT did not have any distributable earnings.

As 31 December 2008, in the opinion of the directors, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK\$88,621,000 (2007: HK\$95,279,000).

OTHER RESERVES

In accordance with the relevant laws and regulations for Sino-foreign equity joint venture enterprises, WIT, being a joint venture established in the PRC, must maintain statutory reserves for specific purposes, which include a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund. The board of directors of WIT will determine on an annual basis the amount of the annual appropriations to statutory reserves.

During the year, WIT did not generate any profits for appropriations to these statutory reserves.

26. INTEREST IN SUBSIDIARIES

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	50,897	50,897
Due from a subsidiary	94,176	94,176
	<u>145,073</u>	<u>145,073</u>

Details of the Company's subsidiaries are set out below:

Name	Place of incorporation/ registration and operation	Nominal value of issued/registered capital	Percentage of nominal value of issued/registered capital attributable to the Company		Principal activities
			Direct	Indirect	
CIG Port Holdings Limited	The British Virgin Islands ("BVI")	US\$12,000 Ordinary	100%	–	Investment holding
Wuhan Investment Holdings Limited	BVI	US\$100 Ordinary	100%	–	Dormant
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	HK\$100 Ordinary	100%	–	Provision of treasury, general and administrative services to Group companies

Name	Place of incorporation/ registration and operation	Nominal value of issued/registered capital	Percentage of nominal value of issued/registered capital attributable to the Company		Principal activities
			Direct	Indirect	
Wuhan International Container Transshipment Co. Ltd.	The PRC	RMB130,000,000 Registered capital	–	85%	Port construction and operations
CIG Wuhan Multipurpose Port Limited	The PRC	RMB5,000,000 Registered capital	–	100%	Port construction and operations
Wuhan Yangluo Customs Clearance Services Company Limited	The PRC	RMB1,500,000 Registered capital	–	85%	Provision of customs clearance services

The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms.

27. DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and has no fixed repayment terms.

28. PENSION SCHEME

All of the full time employees of WIT are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liabilities payable to the retired staff. WIT has agreed to make annual contributions to the state-sponsored retirement plan at a rate of 20% of the employees' salaries or 3 times the average salaries of the local community, whichever is the lower.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Contributions to the state-sponsored retirement plan and MPF Scheme during the year were approximately HK\$428,000 (2007: HK\$337,000) and HK\$88,000 (2007: HK\$80,000) respectively.

29. SHARE OPTION SCHEME

Pursuant to the resolution passed by the shareholders of the Company on 2 September 2005, a share option scheme (the “Share Option Scheme”) which provided for, subject to certain terms and conditions, the granting of a maximum of 34,537,974 Shares, representing 10% of the total number of Shares in issue of 345,379,747 as of the listing date following the placement and public offer of shares by the Company upon listing on GEM. During the year ended 31 December 2008, the Board resolved to grant share options under the Share Option Scheme on 27 March 2008 and 10 November 2008, details of which are set out below:

(A) OPTIONS GRANTED ON 27 MARCH 2008

On 27 March 2008, options to subscribe for an aggregate of 10,550,000 Shares (the “March 2008 Share Options”) were granted to all directors and certain employees of the Group under the Share Option Scheme. Principal terms and conditions on the exercise of the options granted are as follows:

General conditions applicable to all option holders

- (i) The subscription price (the “Subscription Price” or the “Exercise Price”) for shares to be allotted on exercise of the options granted was at HK\$0.63 per share (excluding brokerage and Stock Exchange transaction levy, if applicable, and subject to potential adjustment in the event of alteration of the Company’s capital structure);
- (ii) No options may be exercised for the period of twelve months from the date of grant of 27 March 2008 (the “Grant Date”) and that not more than 50% of the options may be exercised for the period of twelve months immediately thereafter and that all options shall lapse on the third anniversary of the Grant Date; and
- (iii) The right to exercise the options was conditional upon the option holder is an employee of the Group or a director or an alternate director of any company within the Group on the date of exercise of the option.

Specific condition applicable to the Chairman and other employees of the Group

The right to exercise the option was conditional upon the board confirming to these option holders that WIT has achieved the target of generating a net profit for the year ended 31 December 2008.

As a result of the issuance of the bonus shares (the “Bonus Share Issue”) pursuant to the approval by the shareholders at the annual general meeting of the Company on 5 May 2008, the original Subscription Price of HK\$0.63 was adjusted to HK\$0.57 per share accordingly as stipulated under the terms of the Share Option Scheme. Details of the Bonus Share Issue are set out in note 24 to the financial statements.

(B) OPTIONS GRANTED ON 10 NOVEMBER 2008

On 10 November 2008, options to subscribe for an aggregate of 10,850,000 shares (the “November 2008 Share Options”) were granted to all directors and certain employees of the Group under the Share Option Scheme. For the holders of the March 2008 Share Options, the granting of such options was conditional upon the surrendering of all rights and entitlements conferred to them as option holders under the March 2008 Share Options (the “Rights to the Options”). With all holders of the March 2008 Share Options elected to surrender their Rights to the Options, the March 2008 Share Options were cancelled in full and the November Share Options were granted out in full. Principal terms and conditions on the exercise of the options granted were as follows:

General conditions applicable to all option holders

- (i) The subscription price (the “Subscription Price” or the “Exercise Price”) for shares to be allotted on exercise of the options granted is at HK\$0.13 per share (excluding brokerage and Stock Exchange transaction levy, if applicable, and subject to potential adjustment in the event of alteration of the Company’s capital structure);

- (ii) No options may be exercised for the period between the date of grant of 10 November 2008 (the “Option Grant Date”) and 9 April 2010, both dates inclusive and that not more than 50% of the options may be exercised for the period of twelve months immediately thereafter and that all options shall lapse on the third anniversary of the Option Grant Date; and
- (iii) The right to exercise the options is conditional upon the option holder is an employee of the Group or a director or an alternate director of any company within the Group on the date of exercise of the option.

Specific condition applicable to the Chairman and other Employees of the Group

The right to exercise the option is conditional upon the Board confirming to these option holders that WIT has achieved the target of generating a net profit for the year ending 31 December 2009.

The movements in the share options of the Company during the year ended 31 December 2008 were set out as follows:

Eligible participants	Grant date	Exercise price per share	No of options				As at 31 December 2008	Period during which option outstanding as at 31 December 2008 are exercisable
			As at 1 January 2008	Granted during the year	Exercised during the year	Lapsed or cancelled during the year		
Directors	27 March 2008	HK\$0.57	-	3,150,000	-	(3,150,000)	-	(c)
	10 November 2008	HK\$0.13	-	3,150,000	-	-	3,150,000	(d)
Employees	27 March 2008	HK\$0.57	-	7,400,000	-	(7,400,000)	-	(c)
	10 November 2008	HK\$0.13	-	7,700,000	-	(300,000)	7,400,000	(d)
				<u>21,400,000</u>	<u>-</u>	<u>(10,850,000)</u>	<u>10,550,000</u>	

Notes:

- (a) The closing prices of the Company’s shares proceeding the dates on which the options were granted on 27 March 2008 and 10 November 2008 were HK\$0.63 and HK\$0.13 respectively.
- (b) Mr. Leung Kwong Ho, Edmund resigned as an independent non-executive director of the Company with effect from 28 February 2009. Upon his resignation, all options granted to Mr. Leung under the Share Option Scheme became lapsed and no longer exercisable.
- (c) 50% exercisable between 28 March 2009 and 27 March 2010, both dates inclusive; 50% exercisable between 28 March 2010 and 27 March 2011, both dates inclusive.
- (d) 50% exercisable between 10 April 2010 and 9 April 2011, both dates inclusive; 50% exercisable between 10 April 2011 and 9 November 2011, both dates inclusive.
- (e) The fair value of options granted during the year was determined using the Black-Scholes valuation model. The fair value calculation has taken into account the volatility rate of the Company’s share prices of 95% and the risk-free interest rate of 1.16%. The volatility rate of the Company’s share prices has been determined by reference to the average volatility rate of the Company’s share prices at monthly intervals since listing.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principally finances its operations through entity, operating cash flows and financial instruments including cash and cash equivalents, bank loans and finance lease, trade receivables, government subsidy receivables and other receivables and payables. Bank loans, finance leases and payables and accruals are classified as financial liabilities measured at amortised cost. Trade receivables, government subsidies receivables, other receivables and cash and cash equivalents are classified as loans and receivables.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

As disclosed in note 23 to the financial statements, as at 31 December 2008, the Group has total interest-bearing borrowings of HK\$199,594,000 (2007: HK\$192,760,000) of which HK\$11,494,000 (2007: HK\$32,260,000) bears interest at fixed rate and HK\$188,100,000 (2007: HK\$160,500,000) bears interest at variable rates ("Variable Interest Rate Borrowings").

The Group's interest rate risk arises from its Variable Interest Rate Borrowings with interest rates which are variable and subject to adjustments in line with the movements in applicable lending rates of the People's Bank of China. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of Variable Interest Rate Borrowings as at 31 December 2008, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's loss for the year ended 31 December 2008 and accumulated losses as at 31 December 2008 by approximately HK\$940,000 (2007: HK\$800,000).

LIQUIDITY RISK

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles and short term obligations are refinanced as necessary. The Groups' operations are financed mainly through equity, operating cash flows and bank loans and finance leases.

An analysis of financial liabilities of the Group based on contractual maturity is as follows:

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total HK\$'000
At 31 December 2008				
Accrued expenses and other payables	8,728	–	–	8,728
Bank loans	28,500	86,422	104,746	219,668
Obligations under finance lease	79	33	–	112
	<u>37,307</u>	<u>86,455</u>	<u>104,746</u>	<u>228,508</u>
At 31 December 2007				
Accrued expenses and other payables	13,711	–	–	13,711
Bank loans	107,000	12,420	89,747	209,167
Obligations under finance lease	79	79	32	190
	<u>120,790</u>	<u>12,499</u>	<u>89,779</u>	<u>223,068</u>

FOREIGN CURRENCY RISK

The Group's reporting currency is the Hong Kong dollar. The Group's exposure to foreign currency risk relates primarily to the operations of its principal subsidiary, WIT in Wuhan, which are conducted in Renminbi.

The following table sets out the Group's exposure at the balance sheet date to currency risk arising from assets and liabilities denominated in Renminbi.

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Account receivables	9,751	6,826
Prepayments, deposits and other debtors	1,537	1,381
Government subsidy receivables	9,750	–
Bank balances and cash	7,464	14,202
Accrued expenses and other payables	(6,621)	(8,916)
Bank loans	(175,000)	(180,000)
	<u> </u>	<u> </u>
Overall net exposure	<u>(153,119)</u>	<u>(166,507)</u>

Based on the overall net exposure of RMB153,119,000 (2007: RMB166,507,000) as at 31 December 2008, it is estimated that should Renminbi weakened/strengthened by 5% against the Hong Kong dollar with all other variables being held constant, the Group's reserve as at 31 December 2008 would have been increased/decreased by approximately RMB7,656,000 (2007: RMB8,325,000).

CREDIT RISK

The Group's credit risk arises from the risk that its customers may default on their obligations to pay the amounts due to the Group, resulting in a loss to the Group.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts at the balance sheet date.

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Account receivables	11,252	7,393
Deposits and other debtors	1,717	1,186
Government subsidy receivables	11,115	–
Cash and cash equivalents	8,611	42,795
	<u> </u>	<u> </u>
	<u>32,695</u>	<u>51,374</u>

The Group allows a credit period of 60 days to 90 days to its customers; in extending credit terms to customers the Group will carefully assess creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and reviews their collectability periodically. As at 31 December 2008, total account receivables of the Group was HK\$11,252,000, of which the five largest customers of the Group accounted for 44% (2007: 57%) of such balance.

FAIR VALUES

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt.

As at 31 December 2008, the Group had a gearing ratio of approximately 1.9 (2007: 1.7). The calculation of the gearing ratio was based on total bank borrowings over equity attributable to shareholders of the Company as at 31 December 2008.

32. COMMITMENTS

- (i) Commitments payable under non-cancellable operating leases of land and buildings:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	1,291	1,127
In the second to fifth year inclusive	978	2,064
	<u>2,269</u>	<u>3,191</u>

- (ii) Contracted but not provided for capital commitments in respect of:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital contribution to a subsidiary	4,834	–
Construction of port facilities	6,478	824
	<u>11,312</u>	<u>824</u>

33. PLEDGE OF ASSETS

The Group has pledged port facilities, land use rights and bank deposits owned by WIT with an aggregate net book value of approximately HK\$152,163,000 (2007: HK\$148,137,000), HK\$8,756,000 (2007: HK\$8,424,000) and Nil (2007: HK\$3,896,000) respectively to secure bank loans granted to WIT.

34. CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any significant contingent liabilities.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2009.

(C) BUSINESS REVIEW AND PROSPECTS

The principal activities of the Group are investment in and the development, operation and management of container ports which are conducted through the WIT Port, which is owned as to 85% by the Group.

During the first quarter of 2009, the Group has continued to improve and increase its container throughput from 36,634 TEUs in first quarter of 2008 to 42,493 TEUs and EBITDA from HK\$0.2 million in 2008 to HK\$2.1 million. Container throughput for the months of April 2009 and May 2009 were 21,436 TEUs and 23,912 TEUs respectively, representing a growth of 28% and 32% on 16,710 TEUs and 18,147 TEUs for the months of April 2008 and May 2008 respectively.

High operating costs, including high toll charges for local cargo to the WIT Port, the lack of government policy support to encourage viable direct sailings between Wuhan and Yangshan Port in Shanghai and high expressway and bridge tolls to enable container trucks to reach our port economically have hindered the growth of WIT's business. Recent new government policies have encouraged the recommencement of direct sailings to Yangshan on the one hand and the abolishment of toll charges for highways in Hubei Province effective from 1 May 2009, which will induce more cargo to use the WIT Port as ground transportation costs are reduced. Since late March 2009, the Group has also successfully encouraged a major shipping company to use the WIT Port as its transshipment hub at mid-stream to serve its cargo movements along the Yangtze River.

Notwithstanding the increased tariff scales for Wuhan sourced containers effective from 1 January 2008, overall tariff scale for ports in Wuhan remains below the recommended rates issued by the Ministry of Communication (MOC) and rates charged by other major ports in the PRC. Unless consensus to jointly raise the tariff scale is obtained with the competitor port (the Hangyang Port), the low tariff scale would continue to impact revenue of the WIT Port and profitability of the Group.

Being a ports and logistics company operating in a growth economy, the Group's strategy is twofold – expanding the volume of business on the operations side and constructing new facilities to cater for anticipated growth concurrently. The implementation of this strategy, while creating enterprise and shareholder value, is at the cost of short term profit due to higher depreciation and interest charges. However, government policy influence may be both positive and negative to the Group. For example, the current policy to accelerate the construction of port facilities prematurely ahead of demand in order to stimulate the economy would negatively impact return on investment in ports and adds to short-term cashflow and funding pressures. On the other hand, government policies to eliminate/reduce toll charges and the granting of subsidies have contributed to improved cashflow and profitability.

Despite negative prevailing economic conditions, counting on continuing local government support to promote marine cargo traffic along the Yangtze River corridor and the central government's policies to stimulate the economy and domestic trade in China, and together with management's efforts to open new routes and new cargo sources as well as the implementation of cost cutting measures, the Group expects to continue to improve its performance and maintain business growth in the remaining months of 2009.

(D) INDEBTEDNESS**Borrowings**

At the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$192,945,000, comprising obligation under finance leases of approximately HK\$72,000, amount due to a shareholder of approximately HK\$1,809,000 and bank loans of approximately HK\$191,064,000 (approximately RMB167,600,000) provided by four PRC banks, out of which approximately HK\$68,400,000 (approximately RMB60,000,000) were unsecured bank loans and approximately HK\$122,664,000 (approximately RMB107,600,000) were secured bank loans. The unsecured bank loan of approximately HK\$68,400,000 (approximately RMB60,000,000), which was granted to WIT, was supported by a corporate guarantee for a maximum sum of approximately HK\$75,240,000 (approximately RMB66,000,000) provided by the Company to the bank. The secured bank loans of approximately HK\$122,664,000 (approximately RMB107,600,000) were secured by certain property, plant and equipment of the Group with carrying value of approximately HK\$230,848,000 (approximately RMB202,498,000) and by certain land use rights of the Group with carrying value of approximately HK\$8,683,000 (approximately RMB7,617,000).

Commitments

As at 30 April 2009, the Group had capital commitments in respect of the development of its port and related facilities of approximately HK\$6,377,000 (approximately RMB5,594,000).

Contingent liabilities

As at 30 April 2009, the Group had no material contingent liabilities.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade bills and payables as at the close of business on 30 April 2009, the Group did not have any loan capital issued and outstanding or agreed to be issued, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, guarantees or material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 April 2009. Foreign currency amounts have been, for the purpose of the above indebtedness statement, translated into Hong Kong dollars at the applicable rates of exchange as at the close of business on 30 April 2009.

(E) WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration the financial resources available to the Group, including internally generated funds, existing banking facilities and the estimated net proceeds from the Rights Issue (if the Rights Issue becomes unconditional), the Group will have sufficient working capital for at least twelve months from the date of this circular.

(F) MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material change in the financial and trading position or outlook of the Group subsequent to 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

(G) EXPOSURE OF FOREIGN EXCHANGE

The Group's reporting currency is the Hong Kong dollar. The Group's exposure to foreign currency exchange relates primarily to the operations of its principal subsidiary, WIT in Wuhan, which are conducted in Renminbi.

Dividends of the Group are paid in Hong Kong dollars. The Directors consider that the Group would have sufficient Hong Kong dollars to satisfy the payment of dividends and to meet the Group's liabilities as and when they fall due.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to shareholders of the Company has been prepared to illustrate the effect of the Rights Issue (together with the Bonus Issue) on the consolidated net tangible assets attributable to shareholders of the Company as if the Rights Issue (together with the Bonus Issue) had taken place on 31 December 2008.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to shareholders of the Company is prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2008 is based on the net tangible assets attributable to shareholders of the Company as at 31 December 2008 as extracted from the published audited annual report for the year ended 31 December 2008 and the adjustments described below.

Assuming the Underwriting Agreement is not terminated in accordance with the relevant terms

	Audited consolidated net tangible assets attributable to shareholders of the Company as at 31 December 2008 <i>HK\$'000</i>	Add: Estimated net proceeds from the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company as at 31 December 2008 as adjusted for the Rights Issue (together with the Bonus Issue) <i>HK\$'000</i>
Net tangible assets	106,693 <i>Note 1</i>	32,033 <i>Note 2</i>	138,726
Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share as at 31 December 2008 as adjusted for the Rights Issue (together with the Bonus Issue) (<i>Note 3</i>)			<u><u>HK\$0.119</u></u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets attributable to shareholders of the Company as at 31 December 2008 is extracted from the audited consolidated balance sheet of the Company as at 31 December 2008 as set out in Appendix I to this circular.
2. The estimated net proceeds from the Rights Issue are based on 334,327,589 Rights Shares of HK\$0.10 each at the subscription price of HK\$0.10 per Rights Share and 334,327,589 Bonus Shares to be issued to the registered holders of the fully-paid Rights Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue, after deducting the estimated share issue expenses of approximately HK\$1.4 million to be incurred by the Company.
3. The calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share is based on 1,170,146,564 Shares which will be the total number of Shares expected to be in issue after the Rights Issue (together with the Bonus Issue), which includes the existing 501,491,386 as at the Latest Practicable Date, 334,327,589 Rights Shares and 334,327,589 Bonus Shares to be issued to the registered holders of the fully-paid Rights Shares on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue expected to be issued upon completion.

(B) REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from Grant Thornton, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.



Member of Grant Thornton International Ltd

The Directors
CIG Yangtze Ports PLC
2909A, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

23 June 2009

Dear Sirs,

We report on the unaudited pro forma financial information of CIG Yangtze Ports PLC (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which has been prepared by the directors for illustrative purposes only, to provide information about how the proposed rights issue on the basis of two rights shares for every three existing shares held by qualifying shareholders on the record date with bonus issue on the basis of one bonus share for every rights share taken up under the rights issue (the “Rights Issue”) might have affected the financial information presented, for inclusion in Appendix II of the Company’s circular dated 23 June 2009 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in the Section A headed “Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group” in Appendix II of the Circular.

Respective responsibilities of directors of the company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 7.31 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2008 or any future date.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with its opinion of market values of the properties of the Group as at 1 June 2009 prepared for the purpose of incorporation in this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

23 June 2009

The Directors
CIG Yangtze Ports PLC
Room 2909A
Bank of America Tower
12 Harcourt Road
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instruction for us to carry out the valuations of the market values of the properties (the “Properties”) held by CIG Yangtze Ports PLC (the “Company”) and its subsidiaries (together “the Group”) in Hong Kong and the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 1 June 2009 (the “date of valuation”).

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

VALUATION BASIS AND ASSUMPTION

Our valuation of each of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of each of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the opinion of the Company's PRC legal adviser, regarding the title to the Property and the interest in the Property. In valuing the Property, we have assumed that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property nor 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 an onerous nature which could affect its value.

METHOD OF VALUATION

In valuing the Property held by the Group in the PRC, we have valued it by "Depreciated Replacement Costs ("DRC") Approach". DRC Approach is a method where the value of a property is derived by adding together the market value of the land in its existing use and the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence. We have valued the land on an assumption of sale with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC Approach is subject to adequate potential profitability of the business.

The Properties which are leased by the Group in the PRC and Hong Kong have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

In valuing the properties, we have complied with the requirements set in Chapter 8 of the Rules Governing the listing of securities on GEM of the Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupancy, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith our summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
Msc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor and a member of The Hong Kong Institute of Surveyors who has over 18 years' experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 1 June 2009 <i>RMB</i>	The Group's attributable interest %	Capital value in existing state as at 1 June 2009 attributable to the Group's interest <i>RMB</i>
Group I – Property held for owner occupation by the Group in the PRC			
1. Land and building portion of Wuhan International Transshipment Port Phase I, 8 Pingjiang Road, Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province	148,000,000	85%	125,800,000
Grand total:	148,000,000		125,800,000

Property	Capital value in existing state as at 1 June 2009
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Group II – Property leased by the Group in the PRC

2. Room 4306, New World International Trade Tower, 568 Jianshe Avenue, Jiangnan District, Wuhan, Hubei Province	No commercial value
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Group III – Property leased by the Group in Hong Kong

3. Room 2909A and Car Park No. 4033, Bank of America Tower, 12 Harcourt Road, Hong Kong	No commercial value
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VALUATION CERTIFICATE

Group I – Property held for owner occupation by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 1 June 2009
1. Land and building portion of Wuhan International Transshipment Port Phase I, 8 Pingjiang Road, Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province	<p>The scope of valuation comprises the land and building portion of Wuhan International Transshipment Port Phase I, with a total site area of 213,360.35 sq.m. (320 mou), which was completed in 3 stages between 2004 to 2006.</p> <p>Wuhan International Transshipment Port Phase I comprises stacking area, warehouse/logistics centres, container freights stations, administration building, maintenance workshops and ancillary structures.</p> <p>5 main buildings are erected with a total gross floor area of 6,971 sq.m. (75,036 sq.ft.).</p> <p>A 3-storey composite building of total gross floor area 2,007.80 sq.m. (21,612 sq.ft.) and a single storey warehouse of total gross floor area 3,570 sq.m. (38,427 sq.ft.) without title certificates are also erected. We have assigned no commercial value to these two buildings.</p> <p>According to the PRC legal opinion, the land use rights of Wuhan International Transshipment Port Phase I has been granted for a term of 50 years due to expire on 15 December 2048 for port uses.</p>	Wuhan International Transshipment Port Phase I is currently for port uses.	RMB148,000,000 (85% interest attributable to the Group: RMB(125,800,000))

Notes:

- (1) According to Certificate for State-owned Land Use Rights No. (1998)006 dated 16 December 1998 issued by the People's Government of Xinzhou County, the land user of a piece of land, with a site area of 86,667.10 sq.m. (130 mou), is Wuhan International Container Transshipment Co. Ltd. The land use term is 50 years for port uses.

According to Certificate for State-owned Land Use Rights No. (1998)008 dated 16 December 1998 issued by the People's Government of Xinzhou County, the land user of a piece of land, with a site area of 126,693.25 sq.m. (190 mou) including road area of approximately 20 mou, is Wuhan International Container Transshipment Co. Ltd. The land use term is 50 years for port uses.

- (2) According to five Building Ownership Certificates dated 26 August 2004 issued by the Wuhan Xinzhou District Real Estate Administrative Bureau, the legal ownership of five buildings is vested in Wuhan International Container Transshipment Co. Ltd. Details are summarized as follows:

Certificate No.	No. of storeys	Gross floor area (sq.m.)	Use
200431526	1	564.20	Workshop
200431527	1	2,718.00	Warehouse
200431528	4	3,026.00	Office
200431529	2	468.40	Control Building
200431530	1	194.40	Workshop
		6,971.00	

- (3) The Joint Venture Contract dated 18 December 1997 and the Amendments to the Joint Venture Contract dated 20 December 2001, 1 December 2002, 18 June 2003, 12 October 2007 and 19 July 2008, state the following salient conditions:

- (i) Name of the joint venture company : Wuhan International Container Transshipment Co. Ltd.
- (ii) Parties : A – Wuhan Yangluo Development Company Limited (“WYDCL”) (independent party)
B – Wuhan Harbour Group Co., Ltd. (“WHGCL”) (independent party)
C – CIG Port Holdings Limited (“CIG Port”) (wholly owned by the Company)
- (iii) Joint venture period : 50 years from the date of issue of the business license.
- (iv) Construction project : As per the Approvals Nos. (1994)250, (1995)453 and (1999)389, 2 berths are approved
- (v) Total investment amount : RMB310,000,000

The investment contribution of Party A and Party B shall be in the form of Renminbi.

The investment contribution of Party C shall be in the form of foreign exchange.
- (vi) Registered capital : RMB130,000,000
- (vii) Investment ratio : Party A – 9.91%
Party B – 5.09%
Party C – 85%

- (4) According to Construction Permit No. 420124200303200101 dated 30 May 2003, the construction of stage 1 was approved with a total gross floor area of 7,306.60 sq.m.

- (5) According to Business Licence No. 420100400003206, Wuhan International Container Transshipment Co. Ltd. was established with a registered capital of RMB130,000,000 for a valid operation period of 50 years from 16 April 1998 to 16 April 2048.

- (6) According to the legal opinion of the PRC legal adviser to the Group:
- (i) WYDCL, WHGCL and CIG Port are approved to establish the Joint Venture Company namely Wuhan International Container Transshipment Co. Ltd. Wuhan International Container Transshipment Co. Ltd. has obtained the Business Licence and is established according to the PRC law with the registered capital of RMB130,000,000;
 - (ii) CIG Port has 85% interest in Wuhan International Container Transshipment Co. Ltd. The profit sharing and responsibility bearing to Wuhan International Container Transshipment Co. Ltd. shall be according to its share of capital contribution;
 - (iii) Wuhan International Container Transshipment Co. Ltd. has obtained the Certificate for State-owned Land Use Rights Nos. (1998)006 and (1998)008 for a site area of 86,667.10 sq.m. (130 mou) and 126,693.25 sq.m. (190.04 mou) respectively. The land use rights of the Wuhan International Transshipment Port Phase I have been granted for port uses and are due to expire on 15 December 2048;
 - (iv) Wuhan International Container Transshipment Co. Ltd. is in possession of proper legal title to the land of Wuhan International Transshipment Port Phase I and the related land premium has been fully settled;
 - (v) Wuhan International Container Transshipment Co. Ltd. has obtained five Building Ownership Certificates with a total gross floor area of 6,971 sq.m.;
 - (vi) Certificate for State-owned Land Use Rights No. (1998)006 and Building Ownership Certificate Nos. 200431530, 200431529 and 200431526 are subject to a mortgage in favor of Shanghai Pudong Development Bank Wuhan Branch;
 - (vii) Certificate for State-owned Land Use Rights No. (1998)008 and Building Ownership Certificate Nos. 200431527 and 200431528 are subject to a mortgage in favor of China Merchants Bank Co., Ltd. Wuhan Branch;
 - (viii) Wuhan International Container Transshipment Co. Ltd. has the right to use and lease the land use rights and building ownership of Wuhan International Transshipment Port Phase I. However, since Wuhan International Transshipment Port Phase I is subject to mortgage, the transfer of the land use rights or building ownership is subject to the mortgagor's approval; and
 - (ix) Wuhan International Container Transshipment Co. Ltd. has not obtained Building Ownership Certificate for a 3-storey composite building of 2,007.80 sq.m. and a single storey warehouse of 3,570 sq.m. It is advisable to complete the related procedures.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:

Certificate for State-owned Land Use Rights	Yes
Building Ownership Certificate	Yes (Part)
Joint Venture Contract	Yes
Construction Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Property leased by the Group in the PRC

Property	Description and tenure	Capital value in existing state as at 1 June 2009
2. Room 4306, New World International Trade Tower, 568 Jianshe Avenue, Jiangnan District, Wuhan, Hubei Province	<p>The property comprises an office unit on 43rd Floor of a 53-storey plus basement commercial/office building completed in 2004.</p> <p>The property has a gross floor area of approximately 196.56 sq.m. (2,116 sq.ft.) and is currently occupied by the Group as office.</p> <p>The property is currently leased by the Group for a term of 2 years from 1 April 2008 to 31 March 2010. The current monthly rent payable is RMB16,511.04, inclusive of management fees.</p>	No commercial value

Group III – Property leased by the Group in Hong Kong

Property	Description and tenure	Capital value in existing state as at 1 June 2009
3. Room 2909A and Car Park No. 4033, Bank of America Tower, 12 Harcourt Road, Hong Kong	<p>The property comprises an office unit on 29th Floor and a car park on 4th Floor of a 37-storey plus a basement commercial/office building completed in 1975.</p> <p>The office unit has a floor area of approximately 172.24 sq.m. (1,854 sq.ft.) and is currently occupied by the Group as office.</p> <p>The office unit is currently leased by the Group for a term of 3 years from 9 November 2007 to 8 November 2010. The current monthly rent payable is HK\$63,000 from 1 May 2009 to 31 December 2009; and monthly rent payable from 1 January 2010 to 8 November 2010 will be HK\$89,000, exclusive of Rates, Government Rent and management fees.</p> <p>The car park is currently licensed to the Group for a term of 2 years from 1 January 2008 to 31 December 2009. The current monthly license fee payable is HK\$3,800, inclusive of Rates and management fees.</p>	No commercial value

Set out below is a summary of certain provisions of the memorandum of association (“**Memorandum of Association**”) and articles of association (“**Articles of Association**”) of the Company and of certain aspects of the companies law and Cayman Islands taxation.

CONSTITUTION OF THE COMPANY

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on 2 September 2005 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands. The Memorandum of Association is available for inspection at the address specified in Appendix V in the paragraph headed “Documents available for inspection”.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 2 September 2005 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each.

2.2 Directors

2.2.1 Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the

Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

2.2.3 Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

2.2.4 Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

2.2.5 Financial assistance to purchase the Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

2.2.6 Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (a) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/ are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (d) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (iii) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

2.2.7 Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

2.2.8 Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during

the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (g) if he shall be removed from office by a special resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject

to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

2.2.9 Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

2.2.10 Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than threefourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- 2.5.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- 2.5.2 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- 2.5.3 sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to

any such restrictions as compared with the others as the company has power to attach to unissued or new shares. The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than threefourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, requested to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting

personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- 2.7.1 the chairman of the meeting; or
- 2.7.2 at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- 2.7.3 any member or members of the Company present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or
- 2.7.4 any member or members of the Company present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members

of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right. All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business: (a) the declaration and sanctioning of dividends; (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending

cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares.

A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made. A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 January 2003 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares

unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

14. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16. Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Council:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 4 February 2003.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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: (1) the information contained in this circular (other than information relating to the Chow Companies and their respective associates) is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement (other than those relating to the Chow Companies and their respective associates) in this circular misleading; and (3) all opinions expressed in this circular (other than those relating to the Chow Companies and their respective associates) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SHARE CAPITAL**Authorised and issued share capital of the Company**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	Number of Shares	Nominal Value HK\$
Authorised:		
Ordinary shares of HK\$0.10 each		
– As at the Latest Practicable Date	2,000,000,000	200,000,000.00
Issued and fully paid:		
– As at the Latest Practicable Date	501,491,386	50,149,138.60

All existing Shares rank equally in all respects with each other, including in particular as to dividend, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any other stock exchange other than the GEM and no application has been made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

The Rights Shares (when allotted, issued and fully paid) and the Bonus Shares will rank *pari passu* in all respects with the then existing Shares in issue as at the date of allotment and issue of the fully paid Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares, when allotted, issued and fully paid, will be entitled to receive all future dividends and distributions which may be declared, made and paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares.

There are no arrangements under which future dividends are waived or agreed to be waived.

No Shares have been issued since 31 December 2008, being the date to which the latest audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

As at the Latest Practicable Date, there were 8,600,000 Share Options outstanding which were granted as to 2,700,000 Share Options to certain Directors (including Mr. Chow Kwong Fai, Edward) and as to 5,900,000 to eligible employees of the Company under the Share Option Scheme, entitling them to subscribe for a total of 8,600,000 new Shares. Details of the outstanding Share Options are set out in the section headed “Disclosure of interests” in this appendix.

Save as disclosed above, there were no other Shares or outstanding derivatives, options, warrants, conversion rights or other similar rights or securities of the Company which were convertible or exchangeable into Shares as at the Latest Practicable Date.

DISCLOSURE OF INTERESTS

(a) Interests of Directors in the Shares and the underlying Shares

(i) Interests in the Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

Name of Director	Capacity	No. of Shares (Note 1)	Approximate percentage of existing issued share capital of the Company
Mr. Chow Kwong Fai, Edward	Interest by attribution (Note 2)	174,977,592 (L) 61,000,000 (S)	34.89% 12.16%
Mr. Lee Jor Hung, Dannis	Interest by attribution (Note 3)	5,025,055 (L)	1.00%

Notes:

- The letter "L" denotes a long position whilst the letter "S" denotes a short position.
- The 174,977,592 (L) Shares were held as to 111,966,195 Shares by Unbeatable Holdings, as to 35,710,197 Shares by Chow Holdings and as to 27,301,200 Shares by CIG China Holdings, each being a company in respect of which Mr. Chow Kwong Fai, Edward, an executive Director, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company. The 61,000,000 (S) Shares were held by Unbeatable Holdings.
- These Shares were registered in the name of Ramwealth Company Limited, a company in respect of which Mr. Lee Jor Hung, Dannis, a non-executive Director, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company.

(ii) *Interests in the underlying Shares to be issued upon the exercise of the Share Options held by the Directors*

As at the Latest Practicable Date, there were 8,600,000 Share Options outstanding which were granted to certain Directors and eligible employees of the Company under the Share Option Scheme, entitling the holders thereof to subscribe for a total of 8,600,000 new Shares. Details of principal terms and conditions on the exercise of the Share Options are set out under Note 29 of Appendix I to this circular. Details of the outstanding Share Options are set out as follows:

Grantee	Exercise price per Share	No. of Share Options	Exercise period
Directors			
Mr. Chow Kwong Fai, Edward	0.13	450,000	50% exercisable between 10 April 2010 and 9 April 2011, both dates inclusive; and
Mr. Wong Yuet Leung, Frankie	0.13	450,000	50% exercisable between 10 April 2011 and 9 November 2011, both dates inclusive
Mr. Lee Jor Hung, Dannis	0.13	450,000	
Mr. Goh Pek Yang, Michael	0.13	450,000	
Mr. Lee Kang Bor, Thomas	0.13	450,000	
Dr. Wong Tin Yau, Kelvin	0.13	450,000	
Employees (in aggregate)	0.13	5,900,000	
TOTAL		8,600,000	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the Shares, underlying Shares and debentures of the Company and/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 were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in the Shares

So far as was known to the Directors, as at the Latest Practicable Date, the persons (not being Directors or chief executives of the Company) whose interests in Shares were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(i) Interests in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of existing issued share capital of the Company
Unbeatable Holdings Limited <i>(Note 2)</i>	Beneficial owner	111,966,195 (L) 61,000,000 (S)	22.33% 12.16%
Harbour Master Limited <i>(Note 3)</i>	Beneficial owner	79,356,183 (L)	15.83%
Yangtze Ventures II Limited <i>(Note 3)</i>	Interest by attribution	79,356,183 (L)	15.83%
Goldcrest Development Limited <i>(Note 4)</i>	Interest by attribution	79,356,183 (L)	15.83%
Shui On Construction and Materials Limited <i>(Note 5)</i>	Interest by attribution	79,356,183 (L)	15.83%
Shui On Company Limited <i>(Note 6)</i>	Interest by attribution	79,356,183 (L)	15.83%
Bosrich Holdings Inc. <i>(Note 7)</i>	Interest by attribution	79,356,183 (L)	15.83%
HSBC International Trustee Limited <i>(Note 8)</i>	Interest by attribution	79,356,183 (L)	15.83%
Lo Hong Sui, Vincent <i>(Note 9)</i>	Interest by attribution	79,356,183 (L)	15.83%
Chu, Loletta <i>(Note 9)</i>	Interest by attribution	79,356,183 (L)	15.83%
Mitsui O.S.K. Lines, Ltd. <i>(Note 10)</i>	Interest by attribution	41,382,000 (L)	8.25%
MOL (Asia) Limited <i>(Note 10)</i>	Beneficial owner	41,382,000 (L)	8.25%
Chow Holdings Limited <i>(Note 2)</i>	Beneficial owner	35,710,197 (L)	7.12%
CIG China Holdings Limited <i>(Note 2)</i>	Beneficial owner	27,301,200 (L)	5.44%
Value Partners Hedge Master Fund Limited <i>(Note 11)</i>	Beneficial owner	31,092,800 (L)	6.20%

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of existing issued share capital of the Company
Value Partners Asia Fund, LLC (Note 11)	Beneficial owner	32,889,497 (L)	6.56%
Value Partners Limited (Note 11)	Investment manager	76,086,297 (L)	15.17%
Value Partners Group Limited (Note 12)	Interest by attribution	76,086,297 (L)	15.17%
Cheah Capital Management Limited (Note 13)	Interest by attribution	76,086,297 (L)	15.17%
Cheah Company Limited (Note 14)	Interest by attribution	76,086,297 (L)	15.17%
Hang Seng Bank Trustee International Limited (Note 15)	Interest by attribution	76,086,297 (L)	15.17%
Cheah Cheng Hye (Note 15)	Interest by attribution	76,086,297 (L)	15.17%
To Hau Yin (Note 15)	Interest by attribution	76,086,297 (L)	15.17%

Notes:

- The letter “L” denotes a long position whilst the letter “S” denotes a short position.
- Mr. Chow Kwong Fai, Edward is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of each of Unbeatable Holdings, Chow Holdings and CIG China Holdings.
- Yangtze Ventures II Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Harbour Master.
- Goldcrest Development Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Yangtze Ventures II Limited.
- Shui On Construction and Materials Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Goldcrest Development Limited.
- Shui On Company Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Construction and Materials Limited.
- Bosrich Holdings Inc. is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Company Limited.
- HSBC International Trustee Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Bosrich Holdings Inc.
- Mr. Lo Hong Sui, Vincent is interested in the shares of Bosrich Holdings Inc. held by HSBC International Trustee Limited. Ms. Chu, Loletta is interested in the Shares by virtue of her being the spouse of Mr. Lo.

10. Mitsui O.S.K. Lines, Ltd. is entitled to exercise or control the exercise of one-third or more of the voting power at general meeting of MOL (Asia) Ltd.
11. Value Partners Limited is an investment manager and is deemed to be interested in the Shares held by Value Partners Asia Fund, Value Partners Hedge Master Fund and Value Partners China Greenchip Fund.
12. Value Partners Group Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Value Partners Limited.
13. Cheah Capital Management Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Value Partners Group Limited.
14. Cheah Company Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Cheah Capital Management Limited.
15. Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Cheah Company Limited. For the purpose of the SFO, Mr. Cheah Cheng Hye and Ms. To Hau Yin are respectively interested in the Shares by virtue of Mr. Cheah being the founder of the trust and Ms. To being the spouse of Mr. Cheah.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Group.

DIRECTORS' INTERESTS IN ASSETS

The Directors confirm that as at the Latest Practicable Date, none of them had any interest, direct or indirect, in any assets which have been, since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up), 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.

COMPETING INTERESTS

As disclosed in the announcement of the Company dated 7 June 2006, CIG Central China Investments Limited ("CIG Central China") and the Xinzhou District Government entered into a heads of agreement on 7 June 2006 (the "Heads of Agreement"), pursuant to which CIG Central China and/or its affiliated companies will develop, among other businesses, a logistics project (the "Logistics Project") in Yangluo Township (where the WIT Port is situated), Xingzhou District, Wuhan Municipality, the PRC. CIG Central China is a company wholly owned by Mr. Chow Kwong Fai, Edward, an executive Director and a controlling Shareholder.

The Logistics Project will principally comprise of bonded logistics services, warehousing and other logistics services. CIG Central China has undertaken to grant to the Company a right of first refusal to participate or invest in the Logistics Project procured under the Heads of Agreement.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interest in a business which competes or may compete with the business of the Group, or any other conflict of interest with the Group.

DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors have and/or had any service contracts and agreements with the Company or any of its subsidiaries or associated companies in force which could not be determinable by the employer within one year without payment of compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by a member of the Group within the two years immediately preceding the date of this circular which were, or might be, material:

- (i) the underwriting agreement dated 22 May 2009 between the Company and VC Brokerage in relation to the underwriting and other arrangements in respect of the Rights Issue (together with the Bonus Issue), for an underwriting commission of approximately HK\$285,000 if the Underwritten Shares are fully underwritten; and
- (ii) the supplemental underwriting agreement dated 18 June 2009 between the Company and VC Brokerage in relation to the Rights Issue (together with the Bonus Issue).

PARTICULARS OF THE DIRECTORS**Executive Director**

Mr. Chow Kwong Fai, Edward *JP, BA, FCA, FCPA, FHKIoD*, aged 56, is the founder of the Group, the Chairman of the Company and a chartered accountant. Mr. Chow has extensive knowledge and experience in infrastructure development in China and Thailand, including the planning and managing of a mass transit system project in Bangkok. He is a past president of the Hong Kong Institute of Certified Public Accountants, a past chairman of the Professional Accountants in Business Committee of the International Federation of Accountants and a past deputy chairman of the Hong Kong Institute of Directors. Currently, he serves as an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the PRC, a core member of the OECD/World Bank Asian Corporate Governance Roundtable and a vice chairman of the Business and Professionals Federation of Hong Kong. He is also a member of The Ninth Chinese People's Political Consultative Conference of Zhejiang Province and an Election Committee member of Hong Kong. In business, Mr. Chow serves as an independent director and chairman of the audit committee of COSCO Pacific Limited, a Hang Seng Index company; an independent director and chairman of the connected transactions committee of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai and an independent director and chairman of the audit committee of Melco China Resorts (Holding) Limited, a company listed on the Toronto Stock Exchange. On 1 July 2008, Mr. Chow was appointed a Justice of Peace by the Chief Executive of Hong Kong.

Non-executive Directors

Mr. Wong Yuet Leung, Frankie, aged 60, joined the Group and took office as a Director in November 2003. Mr. Wong is currently the chief executive officer of Shui On Construction and Materials Limited and an independent non-executive director of Solomon Systech (International) Limited, both companies being listed on the Stock Exchange, as well as non-executive directors of China Central Properties Limited and Walcom Group Limited, both companies being listed on the AIM Board of London Stock Exchange. He was also a non-executive director of Cosmedia Group Holdings Limited, a company which had been listed on the AIM Board of London Stock Exchange since 2006 but delisted in December 2008. He graduated with a Bachelor of Science (Economics) degree and a Master of Arts degree from the London School of Economics and Political Science and the University of Lancaster respectively.

Mr. Lee Jor Hung Dannis, *BBS*, aged 54, is the Chairman of DL Brokerage Limited with over 25 years of experience in the financial industry and took office as a Director in September 2005. Mr. Lee holds a Bachelor degree in Business Administration and Commerce and a Master Degree in Business Administration, and is a fellow member of the Hong Kong Institute of Directors and Hong Kong Securities Institute. Mr. Lee is a former independent non-executive director of Hong Kong Exchanges and Clearing Limited (2000 to 2006), a member of the Process Review Panel of the Securities and Futures Commission of Hong Kong (the "SFC"), a member of the Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants, a member of the Barristers Disciplinary Tribunal Panel and also the Permanent Honourable President and a former Chairman of the Hong Kong Stockbrokers Association. Mr. Lee is also a former director of the Hong Kong Securities Institute (2003 to 2008), a former member of the Advisory Committee to the SFC and the Council of the Stock Exchange (1991 to 1997 and Vice Chairman 1994/1995) and a former director of HKSCC (1992 to 1997 and Vice Chairman 1995 to 1997).

Mr. Goh Pek Yang, Michael, aged 59, joined the Group as a Director in November 2005 and is the Managing Director of MOL (Asia) Limited, which serves as the Asia/Oceania Regional Headquarter for Mitsui O.S.K. Lines of Japan. Mr. Goh's responsibilities include trade management, operations, business development and administration for some 30 countries in the Asia/Oceania region. Mr. Goh is a member of the Executive Committee of the Liner Division of Mitsui O.S.K. Lines and the Vice-President and a member of the Board of Directors of MOL (China) Ltd. Mr. Goh has more than 30 years of extensive knowledge and experience in global shipping and transportation business. He began his career in the shipping industry in 1969 and has held key positions in the United States of America, Singapore and Hong Kong. Prior to joining MOL in 2002 as Chief Operating Officer, Mr. Goh was Chief Executive Officer of Transpacific Lines Ltd in Hong Kong, an Executive Director of FHTK Holdings in Singapore and an Executive Vice President of Worldwide Logistics at American President Lines Ltd, a company owned by Neptune Orient Lines Ltd in Singapore. Mr. Goh earned a Master of Science Degree in Management from the Graduate School of Business at Stanford University in California, the United States of America.

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin, aged 48, took office as an independent non-executive Director in September 2005. He is an executive director and deputy managing director and the chairman of the corporate governance committee and member of the executive committee of COSCO Pacific Limited, a company listed on the Stock Exchange. Dr. Wong is a deputy chairman, chairman of the corporate governance committee and fellow member of The Hong Kong Institute of Directors, council advisor and immediate past chairman of the Hong Kong Chinese Orchestra Limited, a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council, a former member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committees of the Stock Exchange, a member of The Board of Review (Inland Revenue Ordinance) and board director of Business Environment Council. He obtained his Master of Business Administration degree from Andrews University in Michigan, the United States of America in 1992 and his Doctor of Business of Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the United States of America. He has more than 24 years of working experience in management, banking and securities industries. Currently, Dr. Wong is an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc., a former independent non-executive director and chairman of the Audit Committee of Tradelink Electronic Commerce Limited and an independent non-executive director of I.T Limited, all of these companies are listed on the Stock Exchange. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO Pacific Limited in July 1996. He is responsible for the overall management, strategic planning, financial management and investor relations of COSCO Pacific Limited.

Mr. Lee Kang Bor, Thomas, aged 55, took office as an independent non-executive Director in September 2005. He graduated from The Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in Accountancy in 1976. He received his Bachelor and Master of Laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the degree of an Utter Barrister of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee was president of the Council of the Taxation Institute of Hong Kong from 1999 to 2002 and is Deputy President of Asia Oceania Tax Consultants' Association. Mr. Lee is the managing director of Thomas Lee & Partners Limited, International Tax, Trust and Business Advisors. Mr. Lee is also an independent non-executive director and chairman of the audit committee of the board of directors of Man Sang International Limited and an independent non-executive director of Sparkle Roll Group Limited, the shares of both named companies are listed on the Stock Exchange.

Mr. Fan Chun Wah, Andrew, *LL.B., B.B.A., ACCA, CPA*, aged 30, took office as an independent non-executive Director in February 2009. He holds a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong and a bachelor's degree in law from the University of London. He is a practising CPA under the name of C. W. Fan & Co. and prior to that, he was a vice president of Citigroup in Hong Kong and a manager at PricewaterhouseCoopers, Hong Kong. Mr. Fan is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and served on the administrative and finance committee, the mainland and international affairs committee and the small and medium practitioners committee of the Hong Kong Institute of Certified Public Accountants in 2007. Mr. Fan is a member of the Tenth Chinese People's Political Consultative Conference of Zhejiang Province, a standing member of the Tenth Shanghai United Youth Association, a member of the Ninth Shanghai United Young Association, an executive director of the Hong Kong United Youth Association, an executive director of the Zhejiang Overseas Association and an executive director of the Ningbo Overseas Association.

The business address of Mr. Chow Kwong Fai, Edward, an executive director, is 2909A Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The business address of Mr. Wong Yuet Leung, Frankie, a non-executive Director is 12/F New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon.

The business address of Mr. Lee Jor Hung, Dannis, a non-executive Director is 1/F, Wing's Building, 110-116 Queen's Road Central, Hong Kong.

The business address of Mr. Goh Pek Yang, Michael, a non-executive Director is 27/F, Tower I, Ever Gain Plaza, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The business address of Dr. Wong Tin Yau, Kelvin, an independent non-executive Director is 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The business address of Mr. Lee Kang Bor, Thomas, an independent non-executive Director is 3201-02, Alexandra House, 16-20 Chater Road, Hong Kong.

The business address of Mr. Fan Chun Wah, Andrew, an independent non-executive Director is Room 2401, 24/F, Regent Centre, 88 Queen's Road Central, Hong Kong.

PARTICULARS OF MEMBERS OF SENIOR MANAGEMENT

Head Office

Mr. Wong Wai Keung, Frederick, aged 53, is the chief financial officer of the Group since January 2001 and the company secretary of the Company overseeing the corporate and finance division of the Group. He is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and holds a master degree in electronic commerce. Mr. Wong joined the Group in January 2001 and has over 25 years of accounting, finance, tax, corporate finance and company secretarial experience.

Mr. Shen Guang Ping, aged 53, is the Group's project director in the PRC and is responsible for the negotiation, planning and project management of the Group's development and new projects. Mr. Shen is a civil engineer by profession and holds a MBA degree. Before joining the Group in January 2008, Mr. Shen has worked in the Shaoxing Municipal Government for 30 years, including holding positions of Director of the Construction Bureau, Director of the Tourism Bureau and as Chairman of the Shaoxing Tourism Group. Mr. Shen has extensive experience in the planning and construction of industrial parks and urban, infrastructure and tourism facilities.

Wuhan, the PRC

Mr. Xie Bing Mu, aged 45, has been the general manager of WIT Port since November 2003 and a director of WIT Port since January 2004. He completed the professional studies in business administration at 福建廣播電視大學 (Fujian Broadcasting University) in 1986 and is a qualified accountant in the PRC. Mr. Xie joined the Group in March 2001. Prior to joining the Group in January 2004, Mr. Xie had worked at an international port company and container terminal company in the PRC.

Mr. Liu Shou Liang, aged 62, is a deputy general manager of WIT Port since April 1998 (redesignated as the chief engineer since May 2009) and is in charge of the engineering department of WIT Port. He is a senior engineer and graduated from 武漢建築材料工業學院 (Wuhan Industrial Institute of Building Materials) and holds a bachelor degree in engineering. Mr. Liu joined the Group in April 1998 and has over 20 years of experience in the development and management of ports in the PRC.

Mr. Li Zhong Jie, aged 39, is the chief controller of operations of WIT Port and has been a director of WIT Port since November 2003. He completed high secondary motor vehicle professional studies at 廈門市交通職業中學 (Xiamen Transportation Technical Secondary

School) and diploma of finance at 中央廣播電視大學 (Chinese Central Radio & TV University). Mr. Li joined the Group in March 1999 and is responsible for the operations and agency service department of WIT Port. He has over 9 years of experience in international container port and terminal port and logistics operations in the PRC.

Mr. Huang Jing, aged 38, is the deputy general manager of WIT Port since May 2003, the company secretary of WIT Port since December 2005 and is in charge of all office administrative and human resources matters of WIT Port. He graduated from 中南財經大學 (Zhongnan University of Finance and Economy) and holds a bachelor degree in economics. Mr. Huang joined the Group in February 1998 and has 8 years of experience in financial management and office administration in the PRC.

Mr. Cai Xi Ming, aged 43, is the chief accountant of WIT Port and in charge of all finance and accounting matters of WIT. He obtained a MBA degree from 中南財經政法大學 (Zhongnan University of Economics and Law) in the PRC and is a qualified accountant in the PRC. Mr. Cai joined the Group in July 2000. Mr. Cai has extensive experience in finance, accounting and enterprise management.

Mr. Sun Ji Hung, aged 41, is the Group's project manager in the PRC and is responsible for the planning, development and management of the Group's new projects. He obtained his bachelor degree in executive management from the 武漢大學 (Wuhan University) and has over 10 years of experience in planning and management of logistics businesses. Prior to joining the Group in December 2008, Mr. Sun was a member of the senior management team managing and operating a major logistics park occupying a 400 mou site in Wuhan.

Mr. Tang Yao Dong, aged 55, is the Group's senior engineer and is responsible for the planning, development and construction of the Group's new projects. He completed the industrial and residential construction studies at 中國一冶職工大學 (China First Metallurgical Employees University). Mr. Tang is a qualified senior engineer, supervisory engineer and senior construction engineer recognised in the PRC. Mr. Tang joined the Group in May 2008 and has over 17 years of project planning, development and construction experience.

The business address of Mr. Wong Wai Keung Frederick is 2909A Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The business address of Messrs. Shen Guang Ping, Sun Ji Hung and Tang Yao Dong is Room 4306, New World International Trade Tower, 568 Jianshe Avenue, Jianghai District, Wuhan, Hubei Province, the PRC.

The business address of Messrs. Xie Bing Mu, Liu Shou Liang, Li Zhong Jie, Huang Jing and Cai Xi Ming is 8 Pingjiang Road, Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province, the PRC.

AUDIT AND REMUNERATION COMMITTEE

The Audit and Remuneration Committee of the Company comprises Mr. Lee Kang Bor, Thomas (Chairman), Dr. Wong Tin Yau, Kelvin, Mr. Fan Chun Wah, Andrew and Mr. Wong Yuet Leung, Frankie. Particulars of the members of the Audit and Remuneration Committee are set out under the section headed “Particulars of the Directors” in this Appendix.

The primary duties of the Audit and Remuneration Committee include reviewing the financial reporting process, the system of internal control and risk management of the Group, the appointment of auditors and the determination of executive Directors’ service contracts, the review of Directors’ and senior management’s emoluments and the award of discretionary bonuses and share options of the Company.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice as contained in this circular:

Name	Qualification
GF Capital	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Grant Thornton	Certified public accountants
DTZ Debenham Tie Leung Limited (“DTZ”)	Independent property valuers

Each of GF Capital, Grant Thornton and DTZ has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of their opinion or letter (as the case may be) and references to their names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of GF Capital, Grant Thornton and DTZ had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of them had any interest, direct or indirect, in any assets which have been, since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up), 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.

MISCELLANEOUS

- (a) The registered office of the Company is located at P.O. Box 309, GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 2909A Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (b) VC Brokerage is the Underwriter. The address of VC Brokerage is 28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (c) VC Capital is the financial adviser to the Company in respect of the Rights Issue (together with the Bonus Issue). The address of VC Capital is at 28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (d) GF Capital is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (together with the Bonus Issue). The address of GF Capital is at Rooms 2301-05 and 2313, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (e) The principal bankers of the Group are (i) Shanghai Pudong Development Bank, Wuhan Branch, PRC; (ii) Bank of Communications, Wuhan Branch, PRC; (iii) China Merchants Bank, Wuhan Branch, PRC; (iv) Agricultural Bank of China, Wuhan Branch, PRC; (v) CITIC Ka Wah Bank Limited, Hong Kong; and (vi) DBS Bank (Hong Kong) Limited, Hong Kong.
- (f) The legal advisers to the Company are:
 - (i) Richards Butler in association with Reed Smith LLP, whose address is at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong;
 - (ii) Maples and Calder, whose address is at 53rd Floor, The Center, 99 Queen's Road Central, Hong Kong;
 - (iii) Jingtian & Gongcheng, whose address is at 15th Floor, The Union Plaza, 20 Chaoyangmenwai Dajie, Beijing 100020, the PRC; and
 - (iv) Dewell & Partners, whose address is at 15th Floor, Commercial Bank Plaza, 933 Jianshe Da Dao, Wuhan 430015, the PRC.

The solicitors of the Company in relation to the Rights Issue (together with the Bonus Issue) are Michael Li & Co, whose address is at 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong.

- (g) The auditors of the Company are Grant Thornton, Certified Public Accountants, whose address is situated at 13/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

- (h) The principal share transfer and transfer office of the Company is Butterfield Fund Services (Cayman) Ltd. at P.O. Box 705, Butterfield House, 68 Fort Street, George Town, Grand Cayman, Cayman Islands.
- (i) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (j) The company secretary of the Company is Mr. Wong Wai Keung, Frederick, who is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.
- (k) The authorised representatives of the Company are Mr. Chow Kwong Fai, Edward and Mr. Wong Wai Keung, Frederick.
- (l) The compliance officer of the Company is Mr. Chow Kwong Fai, Edward, an executive Director, who is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.
- (m) All time references contained in this circular refer to Hong Kong times.
- (n) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. from Mondays to Fridays (public holidays excepted) at the office of the Company at 2909A Bank of America Tower, 12 Harcourt Road, Central, Hong Kong from the date of this circular until the Last Acceptance Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008;
- (c) the quarterly report of the Company for the three months ended 31 March 2009;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 34 to 35 of this circular;

- (e) the letter from GF Capital, the text of which is set out on pages 36 to 48 of this circular;
- (f) the report from Grant Thornton on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (g) the valuation report from DTZ on the property interests of the Group, the text of which is set out in Appendix III to this circular;
- (h) the letters of consent from each of GF Capital, Grant Thornton and DTZ as referred to in the section headed “Experts and consents” in this Appendix;
- (i) each of the material contracts as mentioned in the section headed “Material contracts” in this Appendix;
- (j) the Undertakings given by each of the Substantial Shareholders, as detailed under the section headed “Undertakings” in the “Letter from the Board” in this circular; and
- (k) a copy of the Companies Law.

NOTICE OF EGM



中國基建港口有限公司*

CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8233)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CIG Yangtze Ports PLC (the “**Company**”) will be held at 9:30 a.m. on Thursday, 16 July 2009 at Room 3203, 32/F Admiralty Centre I, 18 Harcourt Road, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions which will be proposed as resolutions of the Company:

SPECIAL RESOLUTION

1. **“THAT** the articles of association of the Company (the “**Articles**”) be and are hereby amended in the following manner

By deleting Article 168 of the Articles in its entirety and substituting the following therefor:

“The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the members or any class of members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting by ordinary resolution on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.””

* *For identification purpose only*

NOTICE OF EGM

ORDINARY RESOLUTION

2. **“THAT**, subject to the passing of the special resolution no.1 as set out above and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) and the Bonus Shares (as defined below) to be allotted and issued to the shareholders of the Company (the **“Shareholders”**) pursuant to the terms and conditions of the Rights Issue (together with the Bonus Issue),
- (i) the issue by way of rights issue (the **“Rights Issue”**) of 334,327,589 shares of the Company (the **“Rights Shares”**) to the Shareholders (the **“Qualifying Shareholders”**) whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the **“Record Date”**) (excluding those Shareholders (the **“Excluded Shareholders”**) with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the board (the **“Board”**) of directors (the **“Directors”**) of the Company considers it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places), on the basis of two Rights Shares for every three Shares then held be and is hereby approved, confirmed and ratified;
 - (ii) the issue by way of bonus issue (the **“Bonus Issue”**) of 334,327,589 shares of the Company (the **“Bonus Shares”**), credited as fully-paid at par by the Directors applying such amount for the time being standing to the credit of any reserve or fund of the Company as permitted for the Bonus Issue, to the Qualifying Shareholders who have taken up Rights Shares under the Rights Issue, on the basis of one Bonus Share for every Rights Share taken up under the Rights Issue, be and is hereby approved, confirmed and ratified;
 - (iii) any Director be and is hereby authorised to allot and issue the Rights Shares and the Bonus Shares pursuant to or in connection with the Rights Issue (together with the Bonus Issue), notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
 - (iv) the underwriting agreement dated 22 May 2009 (as supplemented by a supplemental agreement dated 18 June 2009) (the **“Underwriting Agreement”**) entered into between the Company and VC Brokerage Limited and the transactions contemplated thereunder (including but not limited to the arrangements for the taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (v) the arrangements for application for the Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue be and are hereby approved, confirmed and ratified; and
- (vi) any one or more of the Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue (together with the Bonus Issue) or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue (together with the Bonus Issue), the Underwriting Agreement and the transactions contemplated thereunder.”

By order of the Board
CIG Yangtze Ports PLC
Wong Wai Keung, Frederick
Company Secretary

Hong Kong, 23 June 2009

As at the date hereof, the Board comprises an executive Director namely Mr. Chow Kwong Fai, Edward, three non-executive Directors namely Mr. Wong Yuet Leung, Frankie, Mr. Lee Jor Hung, Dannis and Mr. Goh Pek Yang, Michael and three independent non-executive Directors namely Mr. Lee Kang Bor, Thomas, Dr. Wong Tin Yau, Kelvin and Mr. Fan Chun Wah, Andrew.

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a member of the Company.
2. 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/it were solely entitled thereto; but if more than one of such 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 thereto.
3. A form of proxy for the EGM is enclosed herewith.
4. In order to be valid, a form of proxy must be deposited by hand or by post at Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18/F, 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 of such power or attorney, not less than 48 hours before the time appointed for holding the EGM.
5. Shareholders or their proxies shall produce their identity documents when attending the EGM.
6. Shareholders or proxies attending the EGM should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against the resolution. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.

NOTICE OF EGM

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited 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: (1) the information contained in this notice is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this notice misleading; and (3) all opinions expressed in this notice have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This notice will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the day of its posting.