

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



UPDATE ON DISCLOSEABLE TRANSACTION CONCESSION AGREEMENT IN RELATION TO HAMBANTOTA PORT, SRI LANKA

BACKGROUND

Reference is made to the Previous Announcements in relation to the Concession Agreement concerning the development, management and operation of the Hambantota Port in Sri Lanka which constitutes a discloseable transaction of the Company under the Listing Rules.

The Board is pleased to announce that on 8 December 2017, (i) the Company, SLPA, GOSL, HIPG and HIPS entered into the Supplementary Concession Agreement to amend certain terms of the Concession Agreement; (ii) the Company, GOSL, HIPG and HIPS entered into the Conditions Precedent Amendment Letter in relation to the amendment of the satisfaction of certain conditions precedent under the Concession Agreement; (iii) Gainpro Resources, a subsidiary of the Company, SLPA, HIPG and the Company entered into the HIPG Shareholders Agreement in relation to HIPG in connection with the proposed investment in Hambantota Port; and (iv) HIPG, SLPA and HIPS entered into the HIPS Shareholders Agreement in relation to HIPS in connection with the proposed investment in Hambantota Port.

THE SUPPLEMENTARY CONCESSION AGREEMENT

On 8 December 2017, the Company, SLPA, GOSL, HIPG and HIPS entered into the Supplementary Concession Agreement to amend certain terms of the Concession Agreement. Pursuant to the Supplementary Concession Agreement, the only amendments to the Concession Agreement are:

- in relation to percentages of the amount payable by the Company to SLPA for the acquisition of the 85% issued share capital of HIPG (and HIPG shall use a portion of such amount to acquire 58% issued share capital of HIPS):
 - (1) For Tranche 1, the percentage is increased from 10% to 30% (with details of the payable amount set out below); and

- (2) For Tranche 2, the percentage is reduced from 30% to 10% (with details of the payable amount set out below); and
- in relation to the payable dates:
 - (1) Tranche 1 is payable on the Concession Agreement Effective Date (prior to the amendment Tranche 1 is payable one month from the Concession Agreement Effective Date); and
 - (2) Tranche 2 is payable within one month from the Concession Agreement Effective Date (prior to the amendment Tranche 2 is payable three months from the Concession Agreement Effective Date).

The consideration clause under the Concession Agreement has therefore been amended as follows:

The Company will agree to invest an amount of up to USD1,120.00 million (equivalent to approximately HKD8,736.00 million) into Hambantota Port and Hambantota port and marine-related activities which will be paid in the following manner:

- the Company shall pay to SLPA the sum of USD973.658 million (equivalent to approximately HKD7,594.53 million) for the acquisition of the 85% issued share capital of HIPG (and HIPG shall use a portion of such amount to acquire 58% issued share capital of HIPS) in three tranches in the manner as set out below:
 - Tranche 1: approximately USD292.10 million (equivalent to approximately HKD2,278.38 million) (of which USD5.00 million (equivalent to approximately HKD39.00 million) will be satisfied by transferring to SLPA the security deposit which has previously been paid by the Company to GOSL) on the Concession Agreement Effective Date;
 - Tranche 2: approximately USD97.37 million (equivalent to approximately HKD759.49 million) within one month from the Concession Agreement Effective Date; and
 - Tranche 3: the remaining approximately USD584.20 million (equivalent to approximately HKD4,556.76 million) within six months from the Concession Agreement Effective Date; and
- within a period of 30 days from the payment of Tranche 3 above, the Company shall deposit a sum of USD146.00 million (equivalent to approximately HKD1,138.80 million) in a bank account in the name of the Company in Sri Lanka and shall utilise the amount for Hambantota port and marine-related

activities, within one year, as may be agreed with GOSL and the Company shall be entitled to repatriate any amounts in the bank account at the expiration of such one year period if no agreement has been reached with GOSL for the use of such funds.

Other than the above, all of the provisions in the Concession Agreement remain unchanged and shall be deemed to remain in full force.

THE CONDITIONS PRECEDENT AMENDMENT LETTER

On 8 December 2017, the Company, GOSL, HIPG and HIPS entered into the Conditions Precedent Amendment Letter in relation to the amendment of the satisfaction of certain conditions precedent under the Concession Agreement.

In particular, as disclosed in the First Announcement, the Concession Agreement is subject to the satisfaction of the following condition precedent: the existing management agreement with the port management company of the Hambantota Port and all other business contracts that such port management company has entered into with third parties in relation to the Hambantota Port having been terminated or assigned or novated. Pursuant to the Conditions Precedent Amendment Letter, the parties agreed to amend the conditions precedent clause in the Concession Agreement such that this obligation can instead be fulfilled within three months from the Concession Agreement Effective Date. The parties further agreed the Company shall not be required to pay (by itself or through its affiliates) Tranche 3 of the consideration under the Concession Agreement as described above until all of the original conditions precedent have been fulfilled or waived by the Company.

THE HIPG SHAREHOLDERS AGREEMENT

The key terms of the HIPG Shareholders Agreement are set out below:

Date: 8 December 2017

Parties:

- (1) Gainpro Resources
- (2) SLPA
- (3) HIPG
- (4) The Company

Purpose and scope of business: HIPG is a special purpose company incorporated in Sri Lanka established by GOSL for the development and operation of the Hambantota Port and the related and any subsequent developments.

Shareholding: As at the date of the HIPG Shareholders Agreement, HIPG is wholly-owned by SLPA. The parties agreed that Gainpro Resources will acquire from SLPA on the Concession Agreement Effective Date such number of shares that is equivalent to 85% of the total issued share capital of HIPG. Based on the consideration referred to in the Concession Agreement, SLPA will acquire from GOSL 15% of the shares of HIPG before the Concession Agreement Effective Date.

Conditions precedent: The HIPG Shareholders Agreement is subject to the satisfaction of certain conditions precedent, including (i) the execution of the Project Documents by the relevant parties; and (ii) Gainpro Resources having obtained the required regulatory and exchange control approvals to acquire the shares of HIPG. If the conditions precedent are not satisfied or have not been waived by the relevant party by 180 days from the date of the HIPG Shareholders Agreement or such later date as may be agreed in writing by Gainpro Resources and SLPA, the parties (other than the party on whose part the conditions precedent are still outstanding) may at any time thereafter terminate the HIPG Shareholders Agreement upon written notice to the other party.

Board of directors:	<p>The board of directors of HIPG shall comprise of not less than three and no more than 13 directors of which each of Gainpro Resources and SLPA shall be entitled to nominate and appoint 11 and 2 directors, respectively. If the shareholding of SLPA in HIPG is reduced to below 7.5%, then SLPA shall be entitled to nominate and appoint only one director on the board. The chairman of the board of directors of HIPG shall be nominated by the Board. The quorum for any board meeting shall be a majority of the directors, which shall include at least one director from Gainpro Resources and one director from SLPA. Any resolutions to be passed by the board of directors of HIPG shall be passed by a simple majority of the directors present except that resolutions relating to, among others, accounting standard, procurement and related party transaction shall be passed by a majority of all the directors which shall, so long as SLPA holds not less than 7.5% of the issued shares in HIPG, include the affirmative vote of at least one director from SLPA subject to certain exceptions.</p>
Shareholders voting and reserved matters:	<p>The following matters, amongst others, shall require the approval by a majority of shareholders representing at least 90% of the voting rights of HIPG: (i) amendment to articles of association of HIPG; (ii) change of name of HIPG; (iii) varying the rights attaching to the shares and (iv) overriding any policy or direction of the board of directors.</p>
Transfer of shares:	<p>A shareholder wishing to transfer any shares in HIPG shall follow the procedures set out in the HIPG Shareholders Agreement and shall provide the remaining shareholder with a right of first refusal. Gainpro Resources has also agreed to provisions in relation to divestment of interest to SLPA similar to those agreed by the Company in the Concession Agreement.</p>

Appointment of senior management: The chief executive officer, chief operating officer and chief financial officer of HIPG shall be nominated by Gainpro Resources and appointed by the board of directors of HIPG.

THE HIPS SHAREHOLDERS AGREEMENT

The key terms of the HIPS Shareholders Agreement are set out below:

Date: 8 December 2017

Parties: (1) HIPG
(2) SLPA
(3) HIPS

Purpose and scope of business: HIPS is a special purpose company incorporated in Sri Lanka established by GOSL for the operation and management of the Common User Facilities and the related and any subsequent developments.

Shareholding: As at the date of the HIPS Shareholders Agreement, HIPS is wholly-owned by SLPA. The parties agreed that HIPG will acquire from SLPA on the Concession Agreement Effective Date such number of shares that is equivalent to 58% of the total issued share capital of HIPS. Based on the consideration referred to in the Concession Agreement, SLPA will acquire from GOSL 42% of the shares of HIPS before the Concession Agreement Effective Date.

Conditions precedent: The HIPS Shareholders Agreement is subject to the satisfaction of certain conditions precedent, including (i) the execution of the Project Documents by the relevant parties; and (ii) HIPG having obtained the required regulatory approvals to acquire the shares of HIPS. If the conditions precedent are not satisfied by 180 days or have not been waived by the relevant party from the date of the HIPS Shareholders Agreement or such later date as may be agreed in writing by HIPG and SLPA, the party (other than the party on whose part the conditions precedent are still outstanding) may at any time thereafter terminate the HIPS Shareholders Agreement upon written notice to the other party.

Board of directors:	The board of directors of HIPS shall comprise of not less than seven and no more than nine directors of which each of HIPG and SLPA shall be entitled to nominate and appoint five and four directors, respectively. If the shareholding of any of HIPG or SLPA in HIPS is reduced to below 10%, then it shall not have the right to nominate any directors on the board. The director who is the chairman of SLPA shall be the chairman of the board of HIPS. The quorum for any board meeting shall be a majority of the directors which shall include at least one director from HIPG and one director from SLPA. Any resolutions to be passed by the board of directors of HIPS shall be passed by a simple majority of the directors present except that resolutions relating to, among others, accounting standard, procurement and related party transaction shall be passed by a majority of all the directors which shall include the affirmative vote of at least one director from SLPA subject to certain exceptions.
Shareholders voting and reserved matters:	The following matters, amongst others, shall require the approval by a majority of shareholders representing at least 90% of the voting rights of HIPS: (i) amendment to articles of association of HIPS; (ii) change of name of HIPS; (iii) varying the rights attaching to the shares and (iv) overriding any policy or direction of the board of directors.
Transfer of shares:	A shareholder wishing to transfer any shares in HIPS shall follow the procedures set out in the HIPS Shareholders Agreement and shall provide the remaining shareholder with a right of first refusal.
Appointment of senior management:	The chief executive officer, chief operating officer, chief financial officer and head of human resources of HIPS shall be nominated by HIPG and appointed by the board of directors of HIPS.

INFORMATION ABOUT THE HAMBANTOTA PORT

Pursuant to the First Announcement, the Company entered into the Concession Agreement with SLPA, GOSL, HIPG and HIPS in relation to the development, management and operation of the Hambantota Port. The Port of Hambantota is located at 6°07 North and 81°06 East at the Southern coast of Sri Lanka. The Hambantota Port project is a project to develop a major industrial and service port with an attached industrial zone in the Port of Hambantota and it is currently expected that the project will comprise of three phases. Phase 1 of the Hambantota Port was completed in December 2011 and has commenced operation since June 2012. Construction works for Phase 2 has commenced since September 2012 and was completed in April 2015. Further details of the Hambantota Port can be found in the First Announcement.

REASONS FOR THE TRANSACTION

The parties are of the view that it is in the interest of the parties to commence the relevant work in the Hambantota Port project at the earliest opportunity, and they expect that a higher proportion of the investment amount will be incurred during the earlier stages of the project. In light of the above, the parties agreed to extend the timing for the satisfaction for certain conditions precedent to accelerate the Concession Agreement Effective Date and payment schedule in the Concession Agreement as disclosed in this announcement.

In addition, as required under the Concession Agreement, the parties entered into the Shareholders Agreements to give effect to the Concession Agreement and to set out the governance structure of HIPG and HIPS, respectively.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the Supplementary Concession Agreement, the Conditions Precedent Amendment Letter and the Shareholders Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the Supplementary Concession Agreement, the Conditions Precedent Amendment Letter and the Shareholders Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors have a material interest in the Supplementary Concession Agreement, the Conditions Precedent Amendment Letter or the Shareholders Agreements nor are they required to abstain from voting in the relevant board resolution.

GENERAL INFORMATION

Gainpro Resources is a private limited liability company duly incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The principal activities of Gainpro Resources is investment holding.

SLPA is an authority constituted under the provisions of the Sri Lanka Ports Authority Act, No. 51 of 1979, and having its principal office at No.19, Chaitya Road, Colombo 1, Sri Lanka. The principal activities of SLPA are developing and maintaining port services at the commercial ports of Sri Lanka.

GOSL is the Government of the Democratic Socialist Republic of Sri Lanka. GOSL has been involved in the development of the Hambantota Port and its infrastructure and specifically the financing, construction, operation and management of the Hambantota Port.

HIPG is a private limited liability company incorporated in Sri Lanka and is a wholly-owned subsidiary of SLPA as at the date of this announcement. The principal activities of HIPG are owning the port assets, managing daily operation of the Hambantota Port and responsible for the future development of Phase 3 and the further expansion of the Hambantota Port.

HIPS is a private limited liability company incorporated in Sri Lanka and is a wholly-owned subsidiary of SLPA as at the date of this announcement. The principal activities of HIPS are to develop, operate, maintain and manage the Common User Facilities.

To the best of the Directors' knowledge, information and belief having made all enquiries, each of SLPA, GOSL, HIPG and HIPS and each of their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

LISTING RULES IMPLICATIONS

As set out in the First Announcement, the Concession Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The entering into of the Supplementary Concession Agreement, the Conditions Precedent Amendment Letter and the Shareholders Agreements does not affect the classification of the transaction.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors of the Company
“China Harbour”	China Harbour Engineering Company Limited (中國港灣工程有限責任公司), a company incorporated in the PRC and a third party independent from the Company and its connected persons
“Company”	China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company incorporated in Hong Kong and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Common User Facilities”	the common user facilities (including breakwater and channel) which facilitate the business and operations of HIPG of the Hambantota Port
“Concession Agreement”	the concession agreement dated 29 July 2017 entered into amongst the Company, SLPA, GOSL, HIPG and HIPS in relation to the development, management and operation of the Hambantota Port
“Concession Agreement Effective Date”	the day the last outstanding condition precedent under the Concession Agreement has been satisfied, waived or extended as the case may be, in writing by the respective parties
“Conditions Precedent Amendment Letter”	the letter dated 8 December 2017 entered into among the Company, GOSL, HIPG and HIPS in relation to the amendment of the satisfaction of certain conditions precedent under the Concession Agreement
“connected person”	has the meaning ascribed to this term under Rule 14A.06 of the Listing Rules
“Directors”	the directors of the Company
“First Announcement”	the announcement of the Company dated 25 July 2017 in respect of the potential discloseable transaction in relation to the Concession Agreement

“Gainpro Resources”	Gainpro Resources Limited, a private limited liability company incorporated in the British Virgin Islands and a subsidiary of the Company
“GOSL”	the Government of the Democratic Socialist Republic of Sri Lanka, where the context requires to mean the said Government of Sri Lanka represented by the Secretary Ministry of Ports and Shipping
“Group”	the Company and its subsidiaries
“Hambantota Port”	the port of Hambantota located 6°07 North and 81°06 East at the Southern of Sri Lanka and as gazetted
“HIPG”	Hambantota International Port Group (Private) Limited, a private limited liability company incorporated in Sri Lanka and a wholly-owned subsidiary of SLPA as at the date of this announcement
“HIPS”	Hambantota International Port Services Company (Private) Limited, a private limited company incorporated in Sri Lanka and a wholly-owned subsidiary of SLPA as at the date of this announcement
“HIPG Shareholders Agreement”	the shareholders agreement dated 8 December 2017 entered into amongst Gainpro Resources, SLPA, HIPG and the Company in relation to HIPG in connection with the proposed investment in Hambantota Port
“HIPS Shareholders Agreement”	the shareholders agreement dated 8 December 2017 entered into amongst HIPG, SLPA and HIPS in relation to HIPS in connection with the proposed investment in Hambantota Port
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Previous Announcements”	the First Announcement and the Second Announcement

“Project Documents”	the Shareholders Agreements, the Concession Agreement and other definitive agreements as may be required for the execution, implementation and performance of the Hambantota Port
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Second Announcement”	the announcement of the Company dated 30 July 2017 in relation to the execution of the Concession Agreement
“Shareholders Agreements”	the HIPG Shareholders Agreement and the HIPS Shareholders Agreement
“SLPA”	Sri Lanka Ports Authority, an authority constituted under the Sri Lanka Ports Authority Act, No. 51 of 1979
“subsidiary (ies)”	has the meaning ascribed to it under the Listing Rules
“Supplementary Concession Agreement”	the supplementary agreement dated 8 December 2017 entered into among the Company, SLPA, GOSL, HIPG and HIPS in relation to the amendment to the Concession Agreement
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For reference only, an exchange rate of USD1.00 to HKD7.80 has been used for the conversion of United States dollars into Hong Kong dollars in this announcement.

By Order of the Board
China Merchants Port Holdings Company Limited
Li Xiaopeng
Chairman

Hong Kong, 8 December 2017

As at the date of this announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Su Jian, Mr. Bai Jingtao, Mr. Wang Zhixian, Mr. Zheng Shaoping and Ms. Shi Wei as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.