THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Merchants Port Holdings Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

(1) MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED*

AND

(2) MAJOR AND CONNECTED TRANSACTION
TERMINATION OF THE ENTRUSTMENT AGREEMENT OVER ENTIRE INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED* HELD BY CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION*

AND

(3) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN THE PORT OF NEWCASTLE

AND

(4) CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK SERVICE AGREEMENT AND REVISION OF ANNUAL CAP FOR TENANCY AGREEMENTS WITH CMG GROUP

AND

(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

The Financial Adviser to the Group

UBS

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

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 8 to 35 of this circular, a letter from the Independent Board Committee is set out on pages 36 to 37 of this circular, and a letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 88 of this circular.

A notice convening the EGM of China Merchants Port Holdings Company Limited to be held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m., on 19 March 2018 (or such time immediately following the conclusion is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding 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) if you so wish.

* *For identification purpose only*

1 March 2018

CONTENT

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

"Acquisition"	the acquisition of the Newcastle Sale Securities and the Gold Newcastle Sale Securities by the Company as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 6 February 2018 between CMU, Gold Newcastle Property Holding Pty Limited and the Company in relation to the interest in the Port of Newcastle and Gold Newcastle
"associate(s)"	has the meaning ascribed to this term under the Listing Rules
"AUD"	Australian Dollar, the lawful currency of Australia
"Board"	the board of Directors
"Business Day(s)"	with respect to the Share Purchase Agreements, a business day in the PRC excluding Saturdays, Sundays and statutory public holidays in the PRC; with respect to the Acquisition Agreement, a day which is not a Saturday, Sunday or a public holiday in Hong Kong or Sydney
"CIMC"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Stock Exchange and Shenzhen Stock Exchange, respectively
"CM Nanshan"	China Merchants (Nan Shan) Holdings Limited (招商局(南山)控股有限公司), a company incorporated in Hong Kong
"China Nanshan"	China Nanshan Development (Group) Incorporation* (中國南山開發(集團)股份有限公司), a joint stock limited company incorporated in the PRC
"Chiwan"	Shenzhen Chiwan Wharf Holdings Limited* (深圳赤灣港航股份有限公司), a company incorporated in the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange (Stock Code: 000022/200022) and indirectly owned by the Company
"Chiwan Entrustment Agreement"	the entrustment agreement dated 17 September 2012 entered into between the Company and China Nanshan, pursuant to which China Nanshan granted to the Company the management rights and the power to direct the voting rights over the Sale Shares C held by China Nanshan

"Chiwan Entrustment Termination Agreement"	the termination agreement dated 5 February 2018 entered into between the Company and China Nanshan, pursuant to which the parties agreed to terminate the Chiwan Entrustment Agreement
"Chiwan Group"	Chiwan and its subsidiaries
"Chiwan Shares"	the 370,878,000 A shares and 55,314,208 B shares of Chiwan, representing approximately 57.52% and 8.58% of the total issued shares of Chiwan respectively
"Closing"	the closing of the sale of the Sale Shares pursuant to each Share Purchase Agreement
"Closing Date"	the closing date of the sale of the Sale Shares pursuant to each Share Purchase Agreement
"CMG"	China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC and the ultimate holding company of the Company
"CMG Group"	CMG and its subsidiaries
"CMU"	China Merchants Union (BVI) Limited, a company incorporated in the British Virgin Islands
"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
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Directors"	the directors of the Company
"Disposal"	the sale of the Sale Shares contemplated by the Share Purchase Agreements and the termination of the Chiwan Entrustment Agreement
"EGM"	the extraordinary general meeting to be convened and held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m. on 19 March 2018 by the Company to approve the Disposal and the Acquisition
"EUR"	Euro, the lawful currency of the European Union

"FIL"	Fatten Investments Limited, a company incorporated in the British Virgin Islands
"FIRB"	the Australian Foreign Investment Review Board
"Framework Service Agreement"	the framework service agreement dated 5 February 2018 entered into between the Company and Chiwan pursuant to which parties agreed to provide port service and other services to the counterparty
"Gold Newcastle"	Gold Newcastle Property Holding Pty Limited and Gold Newcastle Property Holding Trust
"Gold Newcastle Sale Securities"	10 ordinary shares of Gold Newcastle Property Holding Pty Limited and 275,051,162 units in Gold Newcastle Property Holding Trust
"Group"	the Company and its subsidiaries
"Haixing Harbour"	Shenzhen Haixing Harbour Development Company Ltd. (深圳海星港口發展有限公司), a company incorporated in the PRC and a subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors, namely 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 established to advise the Independent Shareholders in respect of the Disposal and the Acquisition
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Acquisition
"Independent Shareholders"	the Shareholders other than CMG and its associates
"Keen Field"	Keen Field Enterprises Limited (景鋒企業有限公司), a private company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

"Latest Practicable Date"	26 February 2018, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Malai Storage"	Shenzhen Malai Storage Company Limited* (碼來倉儲(深圳)有限公司), a limited company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Mawan Companies"	Shenzhen Mawan Wharf Co., Ltd.* (深圳媽灣港航有限公司), Shenzhen Mawan Port Services Co., Ltd.*(深圳媽灣港務有限公司) and Shenzhen Mawan Terminals Co., Ltd.*(深圳媽灣倉碼有限公司), being companies incorporated under the laws of the PRC
"Media Port"	Media Port Investments Limited, a company incorporated in the British Virgin Islands
"Media Port Second Supplemental Shareholders Agreement"	the second supplemental shareholder agreement dated 5 February 2018 entered into between the Company, Chiwan, FIL and Media Port
"Media Port Supplemental Shareholders Agreement"	the supplemental shareholders agreement dated 23 August 2017 entered into between the Company, Chiwan, FIL and Media Port
"Mega SCT"	Mega Shekou Container Terminals Limited, a company incorporated in the British Virgin Islands
"Mega SCT Entrustment Agreement"	the entrustment agreement dated 23 August 2017 entered into between the Company and Chiwan in relation to the entrustment by the Company to Chiwan of certain rights over its interest in Mega SCT
"Modern Terminals"	Modern Terminals Limited (現代貨箱碼頭有限公司), a company incorporated in Hong Kong with limited liability
"Newcastle Sale Securities"	the Newcastle Shares, the Newcastle Units and the Newcastle Notes
"Newcastle Notes"	the shareholder's loan notes with a principal amount of AUD162.5 million issued by Port of Newcastle Investments Pty Limited to CMU on 29 May 2014
"Newcastle Shares"	the PONI Holdings Shares and the PONI Property Holdings Shares

"Newcastle Units"	the PONI Holdings Units and the PONI Property Holdings Units
"PONI Holdings Shares"	50 ordinary shares in Port of Newcastle Investments (Holdings) Pty Limited
"PONI Holdings Units"	59,043,505 units in Port of Newcastle Investments (Holdings) Trust
"PONI Property Holdings Shares"	50 ordinary shares in Port of Newcastle Investments (Property Holdings) Pty Limited
"PONI Property Holdings Units"	275,051,202 units in Port of Newcastle Investments (Property Holdings) Trust
"Port of Newcastle"	all of: (a) Port of Newcastle Investments (Holdings) Pty Limited; (b) Port of Newcastle Investments (Property Holdings) Pty Limited; (c) Port of Newcastle Investments (Holdings) Trust; and (d) Port of Newcastle Investments (Property Holdings) Trust.
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administration Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares A"	the 161,190,933 ordinary A shares of Chiwan held by Malai Storage, representing approximately 25% of the entire issued share capital of Chiwan as at the Latest Practicable Date
"Sale Shares B"	the 55,314,208 ordinary B shares of Chiwan held by Keen Field, representing approximately 8.58% of the entire issued share capital of Chiwan as at the Latest Practicable Date
"Sale Shares C"	the 209,687,067 ordinary A shares of Chiwan held by China Nanshan, representing approximately 32.52% of the entire issued share capital of Chiwan as at the Latest Practicable Date
"Sale Shares"	Sale Shares A, Sale Shares B and Sale Shares C

"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員)
"SCMPS"	China Merchants Port Services (Shenzhen) Company Limited (招商港務 (深圳) 有限公司), a limited liability company incorporated in the PRC and an indirect subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	the ordinary share(s) of the Company
"Share Purchase Agreement A"	the share purchase agreement dated 5 February 2018 entered into between SPV PRC (as purchaser) and Malai Storage (as seller) in relation to the sale of the Sale Shares A
"Share Purchase Agreement B"	the share purchase agreement dated 5 February 2018 entered into between SPV HK (as purchaser) and Keen Field (as seller) in relation to the sale of the Sale Shares B
"Share Purchase Agreement C"	the share purchase agreement dated 5 February 2018 entered into between SPV PRC (as purchaser) and China Nanshan (as seller) in relation to the sale of the Sale Shares C
"Share Purchase Agreements"	Share Purchase Agreement A, Share Purchase Agreement B and Share Purchase Agreement C
"Shareholder(s)"	holder of the Share(s)
"Silverflow"	Silverflow Company Limited (銀川有限公司), a company incorporated in Hong Kong
"SPV HK"	Broadford Global Limited (布羅德福國際有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of CMG
"SPV PRC"	China Merchants Gangtong Development (Shenzhen) Co., Ltd.* (招商局港通發展(深圳)有限公司), a joint stock limited company incorporated in the PRC and an indirect wholly-owned subsidiary of CMG
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"TCP"	TCP Participações S.A., a corporation *(sociedade porações)* incorporated in Brazil

"USD"	United States dollars, the lawful currency of the United States
"%"	per cent.

* *For identification purpose only*

For the purposes of this circular, unless otherwise stated, the exchange rate of HK$1.00 to RMB0.82 and AUD1.00 to HK$6.27 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

Directors

Executive Directors:
Mr. HU Jianhua (Vice Chairman)
Mr. WANG Hong
Mr. SU Jian
Mr. BAI Jingtao (Managing Director)
Mr. WANG Zhixian
Mr. ZHENG Shaoping
Ms. SHI Wei

Independent non-executive Directors:
Mr. KUT Ying Hay
Mr. LEE Yip Wah Peter
Mr. LI Kwok Heem John
Mr. LI Ka Fai David
Mr. BONG Shu Ying Francis

Registered Office:

38th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

1 March 2018

To the Shareholders of the Company

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED***

AND

**(2) MAJOR AND CONNECTED TRANSACTION
TERMINATION OF THE ENTRUSTMENT AGREEMENT OVER ENTIRE INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED* HELD BY CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION***

AND

**(3) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN THE PORT OF NEWCASTLE**

AND

**(4) CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK SERVICE AGREEMENT AND REVISION OF ANNUAL CAP FOR TENANCY AGREEMENTS WITH CMG GROUP**

1 INTRODUCTION

Reference is made to the announcements of the Company dated 5 February 2018 and 6 February 2018 in relation to the Disposal and the Acquisition, respectively.

The purpose of this circular is to provide you with, among other matters:

(i) further information on the Disposal and the Acquisition;

(ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Disposal and the Acquisition;

(iii) the letter from Somerley setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Acquisition; and

(iv) the notice of the EGM at which ordinary resolutions will be proposed to approve the Disposal and the Acquisition.

The Acquisition and the Disposal are not inter-conditional and are not related to each other.

2 DISPOSAL OF INTEREST IN CHIWAN AND TERMINATION OF THE ENTRUSTMENT AGREEMENT OVER ENTIRE INTEREST IN CHIWAN HELD BY CHINA NANSHAN

(I) BACKGROUND

On 5 February 2018, (i) Malai Storage and Keen Field (both being indirect wholly-owned subsidiaries of the Company) entered into the Share Purchase Agreement A and Share Purchase Agreement B with SPV PRC and SPV HK (both being indirect wholly-owned subsidiaries of CMG, the ultimate holding company of the Company) respectively, in relation to the sale and purchase of the Sale Shares A and Sale Shares B; and (ii) China Nanshan (the Company owns, through its wholly-owned subsidiaries, approximately 37% of the total issued share capital of China Nanshan as at the Latest Practicable Date) entered into the Share Purchase Agreement C with SPV PRC in relation to the sale and purchase of Sale Shares C.

As at the Latest Practicable Date, the Company is entitled to exercise the management rights and has the power to direct the voting rights over the Sale Shares C pursuant to the Chiwan Entrustment Agreement, thereby (together with the Sale Shares A and Sale Shares B held indirectly by the Company) allowing the Company to consolidate the assets, liabilities and other financial results of Chiwan into the consolidated financial statements of the Group.

After completion of the Share Purchase Agreements, Chiwan will cease to be recognised as a subsidiary of the Company in the consolidated financial statements of the Group and therefore, the Company and China Nanshan entered into the Chiwan Entrustment Termination Agreement on 5 February 2018 to terminate the Chiwan Entrustment Agreement conditional on the completion of the Share Purchase Agreements. The Chiwan Entrustment Termination Agreement will be implemented from the date of completion of the Share Purchase Agreements.

(II) SHARE PURCHASE AGREEMENT A

Date:

5 February 2018

Parties:

(1) Malai Storage (as seller)

(2) SPV PRC (as purchaser)

Subject Matter

Pursuant to the Share Purchase Agreement A, Malai Storage agreed to sell to SPV PRC the Sale Shares A, representing approximately 25% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Consideration

The consideration for the sale and purchase of the Sale Shares A under the Share Purchase Agreement A is RMB25.47 per A share of Chiwan. The total consideration is approximately RMB4.11 billion (equivalent to approximately HK$5.01 billion) of which approximately RMB1.23 billion (equivalent to approximately HK$1.50 billion) (representing 30% of the total consideration) will be paid within five Business Days from the date of the Share Purchase Agreement A as a deposit and the remaining approximately RMB2.88 billion (equivalent to approximately HK$3.51 billion) will be paid within ten Business Days after the satisfaction of all the conditions precedent. If any ex-dividend or ex-right event such as cash dividend, scrip dividend, allotment or conversion of capital reserves into share capital is approved by the shareholders of Chiwan from the date of the Share Purchase Agreement A and before the Closing Date, the consideration per share payable by the SPV PRC shall be adjusted in accordance with the following formulas:

(1) Scrip dividend or conversion of capital reserve into share capital: $P1=P0/(1+n)$;

(2) Allotment: $P1=(P0+A\times k)/(1+k)$;

(3) Items (1) and (2) above implemented simultaneously: $P1=(P0+A\times k)/(1+n+k)$;

(4) Distribution of cash dividend: $P1=P0-D$; and

(5) Items (1), (2) and (4) above implemented simultaneously: $P1=(P0-D+A\times k)/(1+n+k)$.

Where: "P0" is the initial share purchase price of each share before adjustment, "n" is the ratio of scrip dividend or capitalization, "k" is the ratio of share allotment, "A" is the price for share allotment, "D" is the cash dividend per share (tax inclusive) and "P1" is the adjusted share purchase price of each share.

In any event, the share purchase price of each share shall not be lower than 90% of the arithmetic mean of the daily weighted average ex-dividend prices of Chiwan A Shares for the 30 trading days prior to the date of the Share Purchase Agreement A.

If the shareholders of Chiwan approved to distribute cash dividend for the financial year ended 31 December 2017 from the date of the Share Purchase Agreement A and before the Closing Date, Malai Storage will be entitled to receive and retain such dividend (and SPV PRC shall return such dividend to Malai Storage if it receives such dividend from Chiwan after the Closing Date).

In the event of scrip dividend, allotment or conversion of capital reserves into share capital, the number of shares to be transferred shall be adjusted accordingly.

Malai Storage and SPV PRC further agreed that (1) all the Sale Shares A shall be transferred from Malai Storage to SPV PRC within three Business Days after the latter of (i) full payment of the consideration and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017; (2) SPV PRC shall be entitled to any operating gain, and shall bear any operating loss, in the equity attributable to ordinary shareholders of Chiwan in respect of the Sale Shares A from the date of the Share Purchase Agreement A to the Closing Date; and (3) the existing loans and employees of Chiwan shall remain unchanged.

The consideration is negotiated and agreed by the parties on an arm's length basis with reference to the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the date of the Share Purchase Agreement A.

Conditions Precedent

The Share Purchase Agreement A is conditional on the satisfaction of the following conditions:

(1) the fulfilment of all the conditions under the Chiwan Entrustment Termination Agreement;

(2) the obtaining of the approval by the Independent Shareholders in accordance with the Listing Rules of the transfer of shares under the Share Purchase Agreement A, Share Purchase Agreement B and Share Purchase Agreement C;

(3) the obtaining of the approval by SASAC of the transfer of shares under the Share Purchase Agreement A, Share Purchase Agreement B and Share Purchase Agreement C; and

(4) the obtaining of the waiver from CSRC of the tender offer obligation triggered under the Share Purchase Agreement A, Share Purchase Agreement B and Share Purchase Agreement C (if applicable to Share Purchase Agreement C).

None of the conditions precedent is waivable. As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

Malai Storage and SPV PRC may, with unanimous consent, terminate the Share Purchase Agreement A. The Share Purchase Agreement A will terminate automatically if the conditions precedent are not fulfilled within 18 months from the date of the Share Purchase Agreement A.

Closing

Closing will take place within three Business Days after the latter of (i) full payment of the consideration by SPV PRC to Malai Storage when the Sale Shares A are transferred from Malai Storage to SPV PRC and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017. Since the Share Purchase Agreement A is inter-conditional with Share Purchase Agreement B and Share Purchase Agreement C, it is expected that closing of the Share Purchase Agreements will take place simultaneously.

(III) SHARE PURCHASE AGREEMENT B

Date:

5 February 2018

Parties:

(1) Keen Field (as seller)

(2) SPV HK (as purchaser)

Subject Matter

Pursuant to the Share Purchase Agreement B, Keen Field agreed to sell the Sale Shares B to SPV HK, representing approximately 8.58% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Consideration

The consideration for the sale and purchase of the Sale Shares B under the Share Purchase Agreement B is HK$13.35 per B share of Chiwan. The total consideration is approximately HK$738.44 million of which approximately HK$221.53 million (representing 30% of the total consideration) will be paid within five Business Days from the date of the Share Purchase Agreement B as a deposit and the remaining approximately HK$516.91 million) will be paid within ten Business Days after the satisfaction of all the conditions precedent. If any ex-dividend or ex-right event such as cash dividend, scrip dividend, allotment or conversion of capital reserves into share capital is approved by the shareholders of Chiwan from the date of the Share Purchase Agreement B and before the Closing Date, the consideration per share payable by the SPV HK shall be adjusted in accordance with the following formulas:

(1) Scrip dividend or conversion of capital reserve into share capital: P1=P0/(1+n);

(2) Allotment: P1=(P0+A×k)/(1+k);

(3) Items (1) and (2) above implemented simultaneously: P1=(P0+A×k)/(1+n+k);

(4) Distribution of cash dividend: P1=P0-D; and

(5) Items (1), (2) and (4) above implemented simultaneously: P1=(P0-D+A×k)/(1+n+k).

Where: "P0" is the initial share purchase price of each share before adjustment, "n" is the ratio of scrip dividend or capitalization, "k" is the ratio of share allotment, "A" is the price for share allotment, "D" is the cash dividend per share (tax inclusive) and "P1" is the adjusted share purchase price of each share.

In any event, the share purchase price of each share shall not be lower than 90% of the arithmetic mean of the daily weighted average ex-dividend prices of Chiwan B Shares for the 30 trading days prior to the date of the Share Purchase Agreement B.

If the shareholders of Chiwan approved to distribute cash dividend for the financial year ended 31 December 2017 from the date of the Share Purchase Agreement B and before the Closing Date, Keen Field will be entitled to receive and retain such dividend (and SPV HK shall return such dividend to Keen Field if it receives such dividend from Chiwan after the Closing Date).

In the event of scrip dividend, allotment or conversion of capital reserves into share capital, the number of shares to be transferred shall be adjusted accordingly.

Keen Field and SPV HK further agreed that (1) all the Sale Shares B shall be transferred from Keen Field to SPV HK within three Business Days after the latter of (i) full payment of the consideration and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017; (2) SPV HK shall be entitled to any operating gain, and shall bear any operating loss, in the equity attributable to ordinary shareholders of Chiwan in respect of the Sale Shares B from the date of the Share Purchase Agreement B to the Closing Date; and (3) the existing loans and employees of Chiwan shall remain unchanged.

The consideration is negotiated and agreed by the parties on an arm's length basis with reference to the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the date of the Share Purchase Agreement B.

Conditions Precedent

The Share Purchase Agreement B is conditional on the satisfaction of the following conditions:

(1) the fulfilment of all the conditions under the Chiwan Entrustment Termination Agreement;

(2) the obtaining of the approval by the Independent Shareholders in accordance with the Listing Rules of the transfer of shares under the Share Purchase Agreement B, the Share Purchase Agreement A and the Share Purchase Agreement C;

(3) the obtaining of the approval by SASAC of the transfer of shares under the Share Purchase Agreement B, the Share Purchase Agreement A and the Share Purchase Agreement C; and

(4) the obtaining of the waiver from CSRC of the tender offer obligation triggered under the Share Purchase Agreement B, Share Purchase Agreement A and Share Purchase Agreement C (if applicable to Share Purchase Agreement C).

None of the conditions precedent is waivable. As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

Keen Field and SPV HK may, with unanimous consent, terminate the Share Purchase Agreement B. The Share Purchase Agreement B will terminate automatically if the conditions precedent are not fulfilled within 18 months from the date of the Share Purchase Agreement B.

Closing

Closing will take place within three Business Days after the latter of (i) full payment of the consideration by SPV HK to Keen Field when the Sale Shares B are transferred from Keen Field to SPV HK and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017. Since the Share Purchase Agreement B is inter-conditional with Share Purchase Agreement A and Share Purchase Agreement C, it is expected that closing of the Share Purchase Agreements will take place simultaneously.

(IV) SHARE PURCHASE AGREEMENT C

Date:

5 February 2018

Parties:

(1) China Nanshan (as seller)

(2) SPV PRC (as purchaser)

Subject Matter

Pursuant to the Share Purchase Agreement C, China Nanshan agreed to sell to SPV PRC the Sale Shares C, representing approximately 32.52% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Consideration

The consideration for the sale and purchase of the Sale Shares C under the Share Purchase Agreement C is RMB25.47 per A share of Chiwan. The total consideration is approximately RMB5.34 billion (equivalent to approximately HK$6.51 billion) of which approximately RMB1.60 billion (equivalent to approximately HK$1.95 billion) (representing 30% of the total consideration) will be paid within five Business Days from the date of the Share Purchase Agreement C as a deposit and the remaining approximately RMB3.74 billion (equivalent to approximately HK$4.56 billion) will be paid within ten Business Days after the satisfaction of all the conditions precedent. If any ex-dividend or ex-right event such as cash dividend, scrip dividend, allotment or conversion of capital reserves into share capital is approved by the shareholders of Chiwan from the date of the Share Purchase Agreement C and before the Closing Date, the consideration per share payable by the SPV PRC shall be adjusted in accordance with the following formulas:

(1) Scrip dividend or conversion of capital reserve into share capital: $P1=P0/(1+n)$;

(2) Allotment: $P1=(P0+A\times k)/(1+k)$;

(3) Items (1) and (2) above implemented simultaneously: $P1=(P0+A\times k)/(1+n+k)$;

(4) Distribution of cash dividend: $P1=P0-D$; and

(5) Items (1), (2) and (4) above implemented simultaneously: $P1=(P0-D+A\times k)/(1+n+k)$.

Where: "P0" is the initial share purchase price of each share before adjustment, "n" is the ratio of scrip dividend or capitalization, "k" is the ratio of share allotment, "A" is the price for share allotment, "D" is the cash dividend per share (tax inclusive) and "P1" is the adjusted share purchase price of each share.

In any event, the share purchase price of each share shall not be lower than 90% of the arithmetic mean of the daily weighted average ex-dividend prices of Chiwan A Shares for the 30 trading days prior to the date of the Share Purchase Agreement C.

If the shareholders of Chiwan approved to distribute cash dividend for the financial year ended 31 December 2017 from the date of the Share Purchase Agreement C and before the Closing Date, China Nanshan will be entitled to receive and retain such dividend (and the SPV PRC shall return such dividend to China Nanshan if it receives such dividend from Chiwan after the Closing Date).

In the event of scrip dividend, allotment or conversion of capital reserves into share capital, the number of shares to be transferred shall be adjusted accordingly.

China Nanshan and SPV PRC further agreed that (1) all the Sale Shares C shall be transferred from China Nanshan to SPV PRC within three Business Days after the latter of (i) full payment of the consideration and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017; (2) SPV PRC shall be entitled to any operating gain, and shall bear any operating loss, in the equity attributable to ordinary shareholders of Chiwan in respect of the Sale Shares C from the date of the Share Purchase Agreement C to the Closing Date; and (3) the existing loans and employees of Chiwan shall remain unchanged.

The consideration is negotiated and agreed by the parties on an arm's length basis with reference to the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the date of the Share Purchase Agreement C.

Conditions Precedent

The Share Purchase Agreement C is conditional on the satisfaction of the following conditions:

(1) the fulfilment of all the conditions under the Chiwan Entrustment Termination Agreement;

(2) the obtaining of the approval by the Independent Shareholders in accordance with the Listing Rules of the transfer of shares under the Share Purchase Agreement C, the Share Purchase Agreement A and the Share Purchase Agreement B;

(3) the obtaining of the approval by SASAC of the transfer of shares under the Share Purchase Agreement C, the Share Purchase Agreement A and the Share Purchase Agreement B; and

(4) the obtaining of the waiver from CSRC of the tender offer obligation triggered under the Share Purchase Agreement C (if applicable to Share Purchase Agreement C), Share Purchase Agreement A and Share Purchase Agreement B.

None of the conditions precedent is waivable. As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

China Nanshan and SPV PRC may, with unanimous consent, terminate the Share Purchase Agreement C. The Share Purchase Agreement C will terminate automatically if the conditions precedent are not fulfilled within 18 months from the date of the Share Purchase Agreement C.

Closing

Closing will take place within three Business Days after the latter of (i) full payment of the consideration by SPV PRC to China Nanshan when the Sale Shares C are transferred from China Nanshan to SPV PRC and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017. Since the Share Purchase Agreement C is inter-conditional with Share Purchase Agreement A and Share Purchase Agreement B, it is expected that closing of the Share Purchase Agreements will take place simultaneously.

(V) CHIWAN ENTRUSTMENT TERMINATION AGREEMENT

Date:

5 February 2018

Parties:

(1) the Company

(2) China Nanshan

Pursuant to the Chiwan Entrustment Termination Agreement, the Company and China Nanshan agreed to terminate the Chiwan Entrustment Agreement and all rights and obligations of the Company and China Nanshan under the Chiwan Entrustment Agreement. The Company will no longer be entitled to exercise the management rights and will no longer have the power to direct the voting rights over Sale Shares C upon the Chiwan Entrustment Termination Agreement being implemented. No consideration is payable by either the Company or China Nanshan under the Chiwan Entrustment Termination Agreement.

The Chiwan Entrustment Termination Agreement is conditional on the satisfaction of the following conditions:

(1) the completion of the Share Purchase Agreements; and

(2) the Chiwan Entrustment Termination Agreement being approved by the Independent Shareholders in accordance with the Listing Rules.

Closing

The Chiwan Entrustment Termination Agreement will be implemented from the date of completion of the Share Purchase Agreements.

(VI) MEGA SCT AND MEDIA PORT

Mega SCT is a joint venture established between the Company and Modern Terminals and which is held as to 80% by the Company and as to 20% by Modern Terminals. Mega SCT is the holding vehicle for the Company's interest in Shekou Container Terminals Phases I, II and III. Media Port is a 50/50 joint venture between the Company and Chiwan and is the holding company of the Company's interest in the Mawan Companies. The Mega SCT Entrustment Agreement and the Media Port Supplemental Shareholders Agreement were entered into in order to allow Chiwan the ability to exert greater influence over the business and operations of Mega SCT and Media Port and such agreements were entered into at the time as part of the effort of the Company to resolve the Competition Issue (as defined below). Further details of the Mega SCT Entrustment Agreement and the Media Port Supplemental Shareholders Agreement are set out in the announcement of the Company dated 24 August 2017.

In light of the Disposal, the relevant parties have also entered into the Media Port Second Supplemental Shareholders Agreement (which effectively reverses the change implemented by the Media Port Supplemental Shareholders Agreement) which will also be implemented upon completion of the Share Purchase Agreements. As a result, upon completion of the Share Purchase Agreements, Media Port will cease to be recognised as a subsidiary of Chiwan but will remain as a subsidiary of the Company. The Media Port Second Supplemental Shareholders Agreement does not constitute a notifiable transaction or a connected transaction of the Company.

Furthermore, the Mega SCT Entrustment Agreement will cease to have effect upon completion of the Share Purchase Agreements. Upon completion of the Share Purchase Agreements, Mega SCT will remain as a subsidiary of the Company.

The Company's shareholding interest in Mega SCT and Media Port will remain unchanged upon completion of the Disposal.

(VII) INFORMATION ON THE PARTIES

Information on Chiwan

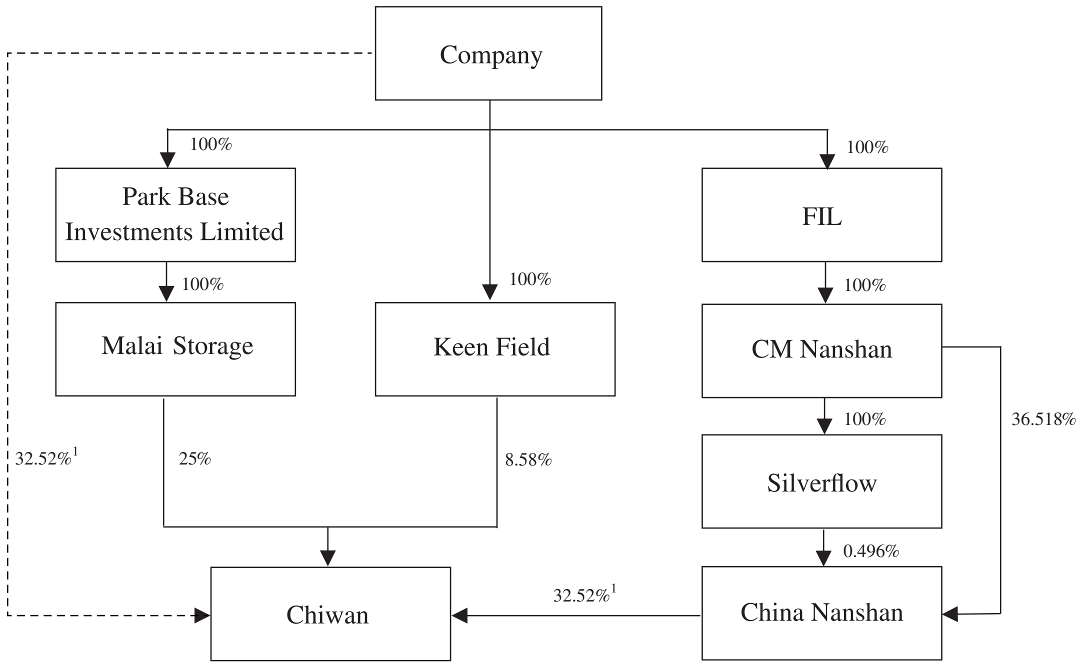
Chiwan is a company incorporated in the PRC with A shares and B shares listed on the Shenzhen Stock Exchange. Its principal activity is logistics service, container terminal and port management. Chiwan is also the holding company of Chiwan Container Terminal Co., Ltd. (which operates berth numbers 9 to 13 at the Chiwan Port Area in Shenzhen), Shenzhen Chiwan Harbour Container Co., Ltd. (which operates berth number 8 at the Chiwan Port Area in Shenzhen) and the Mawan Companies (which operate berth numbers 0, 5, 6 and 7 at the Mawan Port Area in Shenzhen), as well as having a controlling interest in operations in general and bulk cargo terminals businesses in Dongguan.

Based on the unaudited consolidated financial statements of Chiwan prepared in accordance with the China Accounting Standards for Business Enterprises, the total assets of Chiwan and net assets value attributable to the shareholders of Chiwan as at 30 September 2017 amounted to approximately RMB8,062 million (equivalent to approximately HK$9,831.7 million) and RMB4,864.3 million (equivalent to approximately HK$5,932.1 million), respectively. The excess of the total consideration of the Share Purchase Agreements over 66.1% (being the shareholding in Chiwan represented by the Sale Shares as at the Latest Practicable Date) of the net assets value attributable to the shareholders of Chiwan as of 30 September 2017 is approximately RMB6,840 million (equivalent to approximately HK$8,341.5 million).

The net profits (both before and after taxation) for the two financial years ended 31 December 2015 and 2016 based on the audited consolidated financial statements of Chiwan and the nine months ended 30 September 2017 based on the unaudited consolidated financial statements of Chiwan, both prepared in accordance with the China Accounting Standards for Business Enterprises are as follows:

	Year ended 31 December 2015	**Year ended 31 December 2016**	**Nine months ended 30 September 2017**
	(Audited)	*(Audited)*	*(Unaudited)*
	(RMB)	*(RMB)*	*(RMB)*
Profit before taxation	728,027,294.04	770,658,687.50	728,360,901.21
Profit after taxation	652,717,658.61	669,849,703.72	612,925,725.21

A simplified group chart of the shareholding structure of the Company in relation to Chiwan is set out below:



[1] Pursuant to the Chiwan Entrustment Agreement, the voting rights attached to the 32.52% shareholding in Chiwan held by China Nanshan have been entrusted to the Company.

Information on Malai Storage

Malai Storage is a joint stock limited company incorporated in the PRC. Its principal activity is investment holding and its principal asset is its direct interests in the Sale Shares A, representing approximately 25% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Information on Keen Field

Keen Field is a private company incorporated in Hong Kong with limited liability. Its principal activity is investment holding and its principal asset is its direct interests in the Sale Shares B, representing approximately 8.58% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Information on China Nanshan

China Nanshan is a joint stock company established in 1982 with the approval of the State Council of the PRC. As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, holds an aggregate 333,126,000 ordinary shares of China Nanshan, representing approximately 37% of the total issued share capital of China Nanshan as at the Latest Practicable Date.

The business scope of China Nanshan includes the development of land, development of ports and other related industrial, commercial, property and tourism development. Its principal activity is investment holding. One of its principal asset is its direct interests in the Sale Shares C, representing approximately 32.52% of the total issued share capital of Chiwan as at the Latest Practicable Date.

Information on the purchasers

SPV PRC is a joint stock limited company incorporated in the PRC and its principal activity is investment holding. It is an indirect wholly-owned subsidiary of CMG.

SPV HK is a company incorporated in Hong Kong and its principal activity is investment holding. It is an indirect wholly-owned subsidiary of CMG.

(VIII) REASONS FOR THE DISPOSAL

The Disposal will bring the following benefits:

(1) **Resolve competition issue**

In accordance with the requirements of the CSRC, the Company issued a non-compete undertaking to Chiwan on 17 September 2012 (the "**Non-Compete Undertaking**"), pursuant to which (i) the Company undertook that it would resolve any potential competition between Chiwan and the Group's other ports operation business in West Shenzhen (the "**Competition Issue**") by way of assets reorganisation within three to five years; (ii) the senior management of the Company will not take up any senior management role in Chiwan pursuant to applicable laws and regulations; and (iii) the Company confirmed that the Non-Compete Undertaking was issued in order to protect the interests of the shareholders of Chiwan, and the terms of the Non-Compete Undertaking is fair and reasonable, moreover, the Company will not operate in any way that will materially adversely affect the interests of the shareholders of Chiwan. The Non-Compete Undertaking shall remain in full force provided that the Company have control over Chiwan. Upon completion of the Disposal, the Company will no longer have any interests in Chiwan, Chiwan will cease to be recognised as a subsidiary of the Company in the consolidated financial statements of the Group. Therefore the Non-Compete Undertaking will cease to have effect upon completion of the Disposal.

Whilst the Company has previously considered various options to resolve the Competition Issue, the Company was unable to implement these options and accordingly the Non-Compete Undertaking expired in September 2017. As approved by the shareholders of Chiwan, the Company undertook that it would completely resolve the Competition Issue by 16 September 2020.

If the Competition Issue is not resolved, pursuant to the relevant rules and regulations and guidance from the regulators, it will impact Chiwan's future application to the CSRC for administrative approval in relation to refinancing and issuance of new shares for acquisition and will therefore have a material impact on Chiwan's capital market financing ability and thereby negatively impact the value of the shares of Chiwan. In addition, if the Company fails to fulfil the Non-Compete Undertaking, it might be subject to CSRC's administrative penalty and might impact the Company's capital market operations in the PRC.

The Disposal is an important step for the Company to honour the Non-Compete Undertaking that it had previously provided and an important first step for the Competition Issue to be resolved. The Company understands from CMG that going forward, it is the intention of CMG to hold its interest in the Company through Chiwan and thereby completely resolving the Competition Issue for Chiwan. Therefore, the Disposal with CMG (instead of with any independent third party purchaser) is also in line with the plan to resolve the Competition Issue. Moreover, given CMG is the ultimate controller of each of the Company and Chiwan, the purchasers of the Sale Shares are likely to be qualified to obtain a waiver from general offer for the shares of Chiwan as a result of the Disposal and therefore, if the Company conduct the Disposal with an independent third party purchaser, (and who is unlikely to qualify for such waiver) the costs on the part of the purchaser to implementing for the Disposal might increase and the consideration that the Company will receive might as a result be lower.

Upon completion of the Disposal, the Group will cease to have interest in Chiwan but will continue to have port and port-related business in West Shenzhen being the port operations through Mega SCT and Media Port. The principal business of Mega SCT and Media Port is container terminal operation whereas the principal businesses of Chiwan are container terminal and bulk cargo terminal operations and as a result, there will be potential competition between the container terminal operation of Mega SCT and Media Port in West Shenzhen on the one hand, and the container terminal operation of Chiwan in West Shenzhen on the other hand. However, the aggregate container throughput handled by Mega SCT and Media Port was only less than 3.5 million TEUs for the six months ended 30 June 2017, and which represented only less than 7.0% of the total container throughput handled by the Group for the six months ended 30 June 2017 and the aggregate profit after tax of Mega SCT and the operations of Media Port (including Mawan Companies) represented less than 18.0% of the profit after tax of the Group for the six months ended 30 June 2017, as a result the Company considers that any competition between Mega SCT, Media Port and Chiwan upon completion of the Disposal will not have any material impact on the financial performance of the Group as a whole. On the contrary, it is anticipated that the existing collaborative operation and efficient berth planning among Mega SCT, Media Port and Chiwan will continue notwithstanding completion of the Disposal. Apart from Mega SCT and Media Port, the Company also holds controlling stake in two other port assets in West Shenzhen, namely Haixing Harbour and SCMPS, which provides supporting operations services to Mega SCT, Media Port and Chiwan and do not compete with the port operations of these ports. The Company is of the view that Chiwan does not compete with any of the other port operations of the Company outside West Shenzhen.

From the perspective of the Group, the Group has a comprehensive ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean, among others. The Company's strategic vision is to be a world's leading comprehensive port service provider, the Disposal will not materially affect the business operations of the Group.

(2) **Unlock value to shareholders by disposing at a premium**

In addition to allowing the Company to perform its obligations under the Non-Compete Undertaking, and considering (i) the historical price performance of Chiwan A Shares and Chiwan B Shares and the consideration for the Sale Shares are in general at slight premium over the recent market prices of Chiwan A Shares and Chiwan B Shares and significantly higher than the net asset value per Chiwan Share; and (ii) the recent PRC regulation changes in respect of ports operation in West Shenzhen which may have uncertainties to ports operation in West Shenzhen, the Company is also of the view that it is currently a good timing for the Company to unlock the value of its investment in Chiwan.

Chiwan's contribution in terms of total container throughput has decreased from 2010 to 2016 and Chiwan's net profit contribution has stayed flat from 2010 to 2016, despite an increase in Chiwan's stake by the Company from 29.3% to 45.7%. In terms of operational performance, Chiwan's contribution in terms of total container throughput has decreased from 2010 to 2016 and Chiwan's net profit contribution has stayed flat from 2010 to 2016. The increase in the net profit before tax for the two years ended 31 December 2015 and 2016 was mainly due to the decrease in interest expense by repayment of debt in 2016. The Company considers that it may have a better return if it chooses to invest in other investments. The Company realising its investment in Chiwan at this time will generate a variety of opportunities for the Company to create value for its shareholders by investing in other high-quality overseas projects to increase future investment returns. The Company has been continuously looking for high-quality overseas projects to increase future investment returns. As at the Latest Practicably Date, no concrete target has been identified yet, and the Company will comply with the relevant requirements under the Listing Rules when necessary.

The consideration for the Share Purchase Agreements is negotiated and agreed by the parties on an arm's length basis with reference to the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the date of the Share Purchase Agreements in accordance with the requirements of the SASAC. The Directors also (i) considered the historical price performance of Chiwan A Shares and Chiwan B Shares and the consideration for the Sale Shares are in general at slight premium over the recent market prices of the Chiwan A Shares and Chiwan B Shares and significantly higher than the net asset value per Chiwan Share; and (ii) compared the price-to-earnings multiples (the "**P/E Multiples**") represented by the consideration of the Share Purchase Agreements against the market valuation of companies (a) listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange; (b) with principal activities of port handling and related services for containers and bulk cargoes in the PRC; and (c) with the majority of turnover and segment profit derived from such principal activities in the latest financial year (the "**Comparable Companies**") and the implied P/E multiple of the Disposal is very close to both the average and median of the P/E Multiples of the Comparable Companies. Based on the above, the Directors are of the view that the consideration of the Share Purchase Agreements is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders of the Company as a whole.

The Directors, including the independent non-executive Directors, are of the view that the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms. Taking into account the above factors, the Directors, including the independent non-executive Directors, are of the view that the terms of the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

None of the Directors have a material interest in the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement, nor are they required to abstain from voting on the relevant board resolutions.

(IX) FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE DISPOSAL

Financial Effects

Upon Closing, the Company will no longer have any interests in Chiwan. Chiwan will cease to be recognised as a subsidiary of the Company in the consolidated financial statements of the Group. However, the Company will continue to recognise Mega SCT and Media Port as subsidiaries in the consolidated financial statements of the Group.

The Group is expected to record a net gain (after deducting the relevant taxes and expenses) from the Disposal of approximately HK$3,882 million in its consolidated statement of profit or loss for the year ending 31 December 2018 calculated based on, among other factors, the consideration of the Disposal, the net asset value attributable to the shareholder of Chiwan and release of various reserves accumulated in equity as at 30 June 2017. The actual result of the Disposal subjects to the changes in equity attributable to ordinary shareholders of Chiwan in respect of the Chiwan Shares during the period from (and including) 1 July 2017 to (and including) the Closing Date.

Use of Proceeds

The gross and net amounts of the proceeds from the Disposal are HK$5,745 million and HK$4,893 million, respectively. The entire amount of the proceeds of the Disposal is intended to be used for general working capital and to fund possible future investment opportunities of the Company in ports and port-related business (either by acquisition of existing ports and port-related business or investing into new green-field projects). While the Company has not determined the specific allocation and timing for the application of the proceeds, if the Disposal is completed prior to the completion of the Acquisition, the Company will apply part of the proceeds for full settlement of the consideration for the Acquisition.

(X) LISTING RULES IMPLICATONS

As SPV PRC and SPV HK are indirect wholly-owned subsidiaries of CMG, the ultimate holding company of the Company, they are therefore connected persons of the Company and the Share Purchase Agreement A and Share Purchase Agreement B each constitutes a connected transaction of the Company under the Listing Rules. Furthermore, as the Chiwan Entrustment Termination Agreement and the Share Purchase Agreements are inter-conditional, the Chiwan Entrustment Termination Agreement will also constitute a connected transaction of the Company under the Listing Rules. Whilst the Share Purchase Agreement C does not constitute a connected transaction of the Company, as it is inter-conditional with the Share Purchase Agreement A and the Share Purchase Agreement B, it will also be submitted for the approval by the Independent Shareholders.

Upon completion of the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement becoming effective, the assets, liabilities and other financial results of Chiwan will no longer be consolidated into the consolidated financial statements of the Group. Accordingly, adopting 100% of the assets, revenue and profits of Chiwan (but excluding those of Mega SCT and Media Port which will remain as subsidiaries of the Company) in calculating the applicable percentage ratios set out in Rule 14.07 of the Listing Rules, the ratios are more than 25% but less than 75%, the Disposal constitutes a major and connected transaction of the Company, and is subject to (1) the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules and (2) the announcement, independent shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

3 ACQUISITION OF INTEREST IN THE PORT OF NEWCASTLE

(XI) BACKGROUND

On 6 February 2018, CMU, Gold Newcastle Property Holding Pty Limited and the Company entered into the Acquisition Agreement in relation to the sale and purchase of the Newcastle Sale Securities and the Gold Newcastle Sale Securities.

(XII) THE ACQUISITION AGREEMENT

Date:

6 February 2018

Parties:

(1) CMU (as seller)

(2) Gold Newcastle Property Holding Pty Limited as trustee for Gold Newcastle Property Holding Trust (as seller)

(3) the Company (as purchaser)

Subject Matter

Pursuant to the Acquisition Agreement, CMU and Gold Newcastle Property Holding Pty Limited agreed to sell and the Company or any subsidiaries that are incorporated in the BVI, wholly owned by the Company and nominated by the Company agreed to buy the Newcastle Sale Securities and the Gold Newcastle Sale Securities. The Newcastle Sale Securities represent CMU's entire direct and indirect interest in Port of Newcastle and together, represent 50% of the total interest in Port of Newcastle. The remaining 50% interest in Port of Newcastle is held by TIF (comprising of TIF Investments Trust and TIF Investments Trust B), an independent third party.

The Gold Newcastle Sale Securities represent CMU's entire interest in Gold Newcastle and represent 100% of the total interest in Gold Newcastle. Upon completion, Gold Newcastle will be wholly owned by the Company.

Consideration

The total consideration for the sale and purchase of the Newcastle Sale Securities and the Gold Newcastle Sale Securities (including the interest bearing shareholder's loan with a principal amount of AUD162.5 million) under the Acquisition Agreement is AUD607.5 million (equivalent to approximately HK$3,809.0 million), subject to adjustment (namely, reduction of the consideration for (i) any "leakage" such as distribution (other than the distribution as contemplated under the paragraph headed "Other Key Terms" below) and other payments, made to the seller since 1 January 2018 and (ii) any monetary compensation received by the purchaser for any claims under the Acquisition Agreement in accordance with the terms set out in the Acquisition Agreement.

The Company shall pay the consideration in cash on the completion date (as defined below). The Company shall fund the consideration from its internal resources or, if the Disposal is completed prior to the completion date of the Acquisition, from the proceeds of the Disposal.

The total consideration of AUD607.5 million comprises the interest bearing shareholder's loan of AUD162.5 million and the equity value of AUD445 million which is negotiated and agreed by the parties on an arm's length basis with reference to (i) the share of 50% of net assets value attributable to the security holders of Port of Newcastle as at 31 December 2016 was AUD427.4 million, of which the implied value of 1.04 times to book value; (ii) the historical operational and financial performance of Port of Newcastle. In particular, for the historical operational performance, Port of Newcastle had maintained its position as the largest coal export port globally while seeing a net increase in coal traded volume between 2013 and 2016, Port of Newcastle had recorded coal export volume of 142.6mt, 159.0mt, 158.1mt and 161.4mt, respectively, representing a CAGR of 4.2% over the last three years, despite the fluctuation in global coal trade and price change. For the financial performance, the net profits after taxation of the Port of Newcastle for the two financial years ended 31 December 2015 and 2016 were AUD6.03 million and AUD29.65 million, respectively, due to a recovering market environment and increased operating efficiency; and (iii) the business prospect of the operation of Port of Newcastle to the Group (please also refer to the section headed "Reasons for the Acquisition" below for further details on the business prospect of the operation of the Port of Newcastle).

CMU and Gold Newcastle purchased the Newcastle Sale Securities and Gold Newcastle Sale Securities in April 2014 and the original purchase cost incurred by CMU and Gold Newcastle was AUD496.6 million (equivalent to approximately HK$3,113.7 million).

When determining the consideration, the original purchase cost was merely one of the factors. While the consideration represents a 22% premium to the original purchase cost incurred by CMU and Gold Newcastle, the Directors also (i) noted the improved financial performance of Port of Newcastle as mentioned above; and (ii) examined the trading multiples of enterprise value ("**EV**") to earnings before interest tax, depreciation and amortisation ("**EBITDA**") (the "**EV/EBITDA Multiple**") of the original acquisition by CMU and Gold Newcastle and that of the Acquisition and concluded that the EV/EBITDA Multiple is lower. Based on the EV/EBITDA Multiple analysis as set out in section headed "Letter from Somerley", the implied EV/EBITDA Multiple of the consideration of the Acquisition was approximately 19.8 times, which is lower than the implied EV/EBITDA Multiple of the acquisition of the Port of Newcastle by CMU and Hastings Funds Management Limited back in 2014 of approximately 28.4 times.

Based on the above, the Directors are of the view that the consideration of the Acquisition Agreement is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders of the Company as a whole.

Conditions Precedent

The Acquisition Agreement is conditional on the satisfaction of the following conditions:

(1) the obtaining of the written notice that there are no objections by FIRB under the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("**FATA**") to the acquisition contemplated by the Acquisition Agreement; or FIRB becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition contemplated by the Acquisition Agreement, whichever first occurs;

(2) the obtaining of approval of the Acquisition by the Independent Shareholders in accordance with the Listing Rules;

(3) the obtaining of any other third party consents and approvals that all the parties agree are necessary or desirable in connection with the Acquisition, including any consents or waivers to be obtained by CMU in relation to the Newcastle Notes arising from the Acquisition; and

(4) the completion of satisfactory due diligence by the Company.

Conditions (1) and (2) are not waivable by any party, condition (3) can only be waived by written consent of each party and condition (4) can only be waived by the Company. As at the Latest Practicable Date, none of the conditions has been satisfied or waived.

If the conditions precedent are not satisfied or waived by 30 September 2018 or become incapable of satisfaction, any party may terminate the Acquisition Agreement.

Closing

Closing will take place on the completion date, which is two Business Days after the date on which all the conditions precedent are satisfied or waived or such other date as the parties of the Acquisition Agreement may agree in writing.

Other Key Terms

The Acquisition Agreement contains customary representations, warranties, undertakings and indemnities to transactions of similar nature.

The parties have also agreed that the Company, upon completion of the Acquisition Agreement, will enjoy all the economic benefits of the Port of Newcastle as from 1 January 2018 other than the distribution and other payment to be made in February 2018 by Port of Newcastle to CMU with respect to the financial year ended 31 December 2017.

(XIII) INFORMATION ON THE PARTIES

Information on CMU

CMU is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of CMU is investment holding. CMU is a substantial shareholder of the Company and an associate of CMG and is therefore a connected person of the Company.

Information on Gold Newcastle

Gold Newcastle is a platform established in Australia by CMU for the sole purpose of holding the PONI Property Holding Units. Gold Newcastle is wholly owned by CMU and is therefore a connected person of the Company.

Based on the unaudited financial report of Gold Newcastle itself as at 31 December 2016, the total assets and net assets value attributable to the security holders of Gold Newcastle amounted to approximately AUD282.6 million (equivalent to approximately HK$1,771.9 million) and AUD282.5 million (equivalent to approximately HK$1,771.3 million), respectively.

The net profits (both before and after taxation) for the two financial years ended 31 December 2015 and 2016 based on the unaudited financial report of Gold Newcastle are as follows:

	Year ended 31 December 2015 *(unaudited)*	**Year ended 31 December 2016** *(unaudited)*
	(AUD' million)	
Profit/(loss) before taxation	12.09	13.89
Profit/(loss) after taxation	12.09	13.89

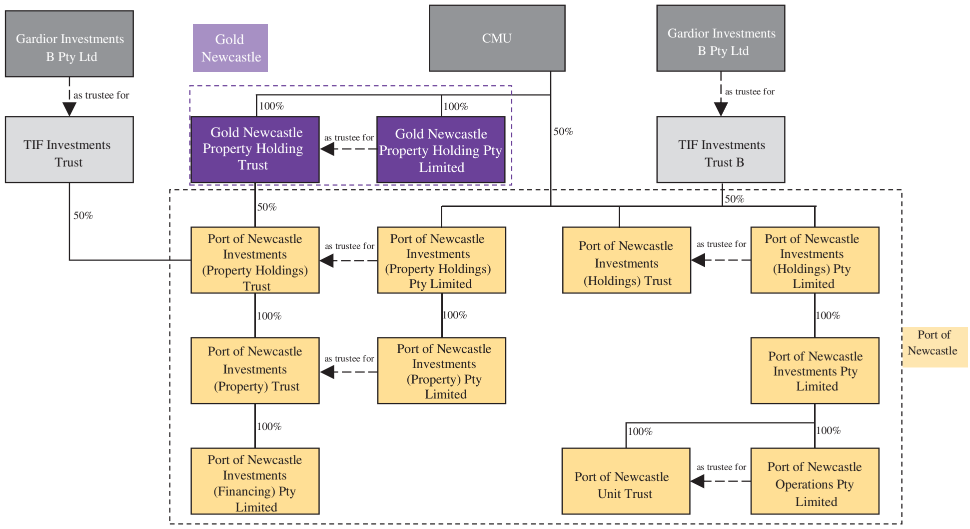
Information on the Port of Newcastle

The Port of Newcastle, through lease and sublease, are granted all the rights and interests, for a term of 98 years and 1 day from 30 May 2014 in relation to the largest port on the east coast of Australia with 20 operational berths and a total land holdings of 7.92 square kilometers, including 2 square kilometers of vacant port land available for development. The port positioned at the gateway to the largest regional economy in New South Wales, with close proximity to Sydney. The port operates 24 hours per day, 365 days per year and handled approximately 168 million tonnes of trade in 2016. The principal business of the companies comprising the Port of Newcastle includes passive property investment, port management including responsibility for vessel scheduling, property management and port development, trade development, dredging and survey, wharf and berth services, maintenance of major port assets, and pricing for associated services.

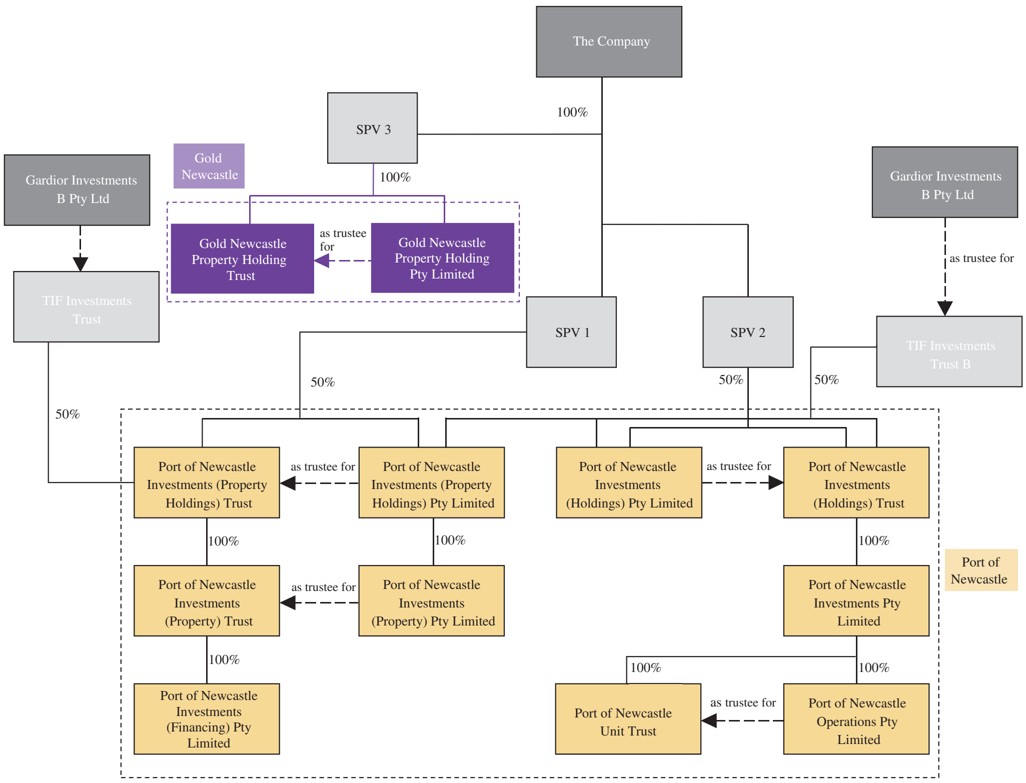
The main assets held by the operating companies, being Port of Newcastle Investments (Property) Pty Ltd as trustee for Port of Newcastle Investments (Property Holdings) Trust and Port of Newcastle Operations Pty Limited and Port of Newcastle Investments (Property Holdings) Trust are the interests in the concurrent lease and concurrent sublease of the Port of Newcastle, including the right to levy rent and to enjoy the right of the Port of Newcastle.

As at the Latest Practicable Date, the Port of Newcastle is owned by CMU (by itself and through Gold Newcastle) and TIF as to 50% and 50%, respectively. Set out below is a corporate structure chart illustrating the Port of Newcastle (including the various entities comprising the Port of Newcastle) as at the Latest Practicable Date and immediately upon completion of the Acquisition. Upon completion of the Acquisition, the Company will not consolidate the Port of Newcastle as a subsidiary and will only equity account for such investment.

(1) ***As at the Latest Practicable Date***



(2) ***Upon completion of the Acquisition***[1]



[1] For the purpose of this circular, the wholly-owned subsidiaries to be nominated by the Company to take up the Newcastle Sale Securities and the Gold Newcastle Sale Securities are labelled as SPV 1, SPV 2 and SPV 3. The Company envisages that upon the completion of the Acquisition, SPV 1 will take up the PONI Property Holdings Units and the PONI Property Holdings Shares, SPV 2 will take up the Newcastle Notes, the PONI Holdings Shares and the PONI Holdings Units, and SPV 3 will take up the Gold Newcastle Sale Securities. Upon completion of the Acquisition, Gold Newcastle ceases to hold any interest in Port of Newcastle Investments (Property Holdings) Trust.

Based on the unaudited financial report of Port of Newcastle as at 31 December 2016, the total assets and net assets value attributable to the security holders of Port of Newcastle amounted to approximately AUD2,441.1 million (equivalent to approximately HK$15,305.4 million) and AUD854.8 million (equivalent to approximately HK$5,359.6 million), respectively.

The net profits (both before and after taxation) for the two financial years ended 31 December 2015 and 2016 based on the unaudited financial report of Port of Newcastle are as follows:

	Year ended 31 December 2015 *(unaudited)*	**Year ended 31 December 2016** *(unaudited)*
	(AUD' million)	
Profit/(loss) before taxation	2.75	27.52
Profit/(loss) after taxation	6.03	29.65

(IV) REASONS FOR THE ACQUISITION

The principal business of the Group is port and port-related business. The Group is striving to be a world's leading comprehensive port service provider. The Acquisition is in line with the Group's principal business activities and will bring the following benefits:

(1) **Expand global footprint to Oceania**

The Acquisition is the first step for the Company to invest in Oceania which can complement current trading network covered under the Company's port portfolio with further potential synergies which connect the shipping routes between our port assets in China and overseas to create and attract more traffic for ports operation of the Group.

As the world's largest coal export port, Port of Newcastle is poised to capture the rising demand for thermal coal from its current major importers, i.e. Japan, South Korea and Taiwan.

The Acquisition will also expand the Company's global footprints, which aims to be a world's leading comprehensive port service provider.

(2) **Leverage on land resources to capture development upside**

Given the unique position of the Port of Newcastle with precincts containing land resources, the Acquisition will bring opportunities for the Company to further achieve its "Port and Park" development under "Port-Park-City" ("**PPC**") model, which aims to operate its core port businesses together with the park development and infrastructure support, thereby achieving a port-centered ecosystem with port operations as its core.

(3) **Provide financial return to the Group**

The Company believes that the Acquisition, which represents a fair and reasonable price, will generate positive long-term financial return to the Group. In particular, as the world's largest coal export port, Port of Newcastle is poised to capture the rising demand for thermal coal from its current major importers, i.e. Japan, South Korea and Taiwan (together from 297mt in 2016 to 314mt expected in 2019). Port of Newcastle has entitlement to land of 7.92 square kilometers, including 2 square kilometers of vacant port land available for further development which provide potential upside of Port and park development under the PPC model. Moreover, in September 2016, New South Wales Government announced commitment of AUD12.7 million for a permanent multi-purpose cruise terminal facility at Port of Newcastle, which will further expand Port of Newcastle's capability in diversified demands for port services and hence potential growth areas in the future. The lease granted to the companies comprising the Port of Newcastle by the state corporation has a remaining term of 95 years which can generate a long-term return for the Company.

Based on the above, the Directors, including the independent non-executive Directors, are of the view that the Acquisition Agreement has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms. Taking into account the above factors, the Directors, including the independent non-executive Directors, are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

None of the Directors have a material interest in the Acquisition Agreement, nor are they required to abstain from voting on the relevant board resolutions.

(V) IMPLICATIONS UNDER THE LISTING RULES

CMU is a substantial shareholder of the Company and is also an associate of CMG, the ultimate holding company of the Company and Gold Newcastle is wholly owned by CMU and therefore both are connected persons of the Company and the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company, and is subject to (1) the notification and announcement requirements under Chapter 14 of the Listing Rules and (2) the announcement, shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

4 CONTINUING CONNECTED TRANSACTIONS

(I) BACKGROUND

The Group has continuously provided port and port-related services to Chiwan and Chiwan has continuously provided port and freight forwarding services to the Company. Moreover, Chiwan also leases certain properties from certain members of the Group.

Upon completion of the Disposal, CMG, the ultimate holding company of the Company, will indirectly be interested in approximately 66.1% of the total issued shares of Chiwan and therefore, Chiwan will become a connected person of the Company and the transactions between members of the Group (on the one hand) and members of the Chiwan Group (on the other hand) will become continuing connected transactions of the Company. Therefore, the Company (i) entered into the Framework Service Agreement with Chiwan to govern the mutual provision of services and (ii) revise the aggregate annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from CMG Group and its associates for the year ending 31 December 2018.

(II) FRAMEWORK SERVICE AGREEMENT

On 5 February 2018, Chiwan and the Company entered into the Framework Service Agreement to set out the framework for future transactions in relation to (i) the provision of port and port-related services by members of the Group to members of the Chiwan Group and (ii) the provision of port and freight forwarding services by members of the Chiwan Group to members of the Group which requires that the prices for these services should be fair and reasonable and shall be at terms not less than those provided to independent third parties and that the terms and conditions for these services shall be determined with reference to the prevailing market conditions. It is contemplated that specific agreements will be entered into between relevant members of the Group and relevant members of the Chiwan Group in respect of each transaction within the scope of the Framework Services Agreement and the Company and Chiwan shall procure their respective subsidiaries to ensure that the terms of the specific agreements are entered into in accordance with the principles set out in the Framework Services Agreement.

The Framework Services Agreement is valid until 31 December 2018 provided that either party shall have the option to extend the term of the Framework Services Agreement for subsequent terms of one year each subject to compliance with the requirements under the applicable rules of the stock exchange (including the Listing Rules).

For the purpose of Rule 14A.53 of the Listing Rules, on 5 February 2018, the Directors resolved to set the annual caps in respect of the fees payable and receivable by the Group for the year ending 31 December 2018 as follow:

	For the year ending 31 December 2018 *(RMB)*
Amount of service fees payable by the Group	30,000,000
Amount of service fees receivable to the Group	50,000,000

The specific price for each transaction shall be negotiated at arm's length by the relevant member of the Group and the relevant member of the Chiwan Group at the time when the transaction is entered into. With respect to the provision of port and port-related services by members of the Group to members of the Chiwan Group, the price to be charged will be based on the fee rate applicable to the relevant port at the time when the transaction is entered into and will be calculated with reference to the type of the ship and container. The relevant department of the member of the Group will, prior to the entering into of a transaction, conduct independent check against fee rate to ensure that the applicable fee rate to be charged by the relevant member of the Group will not be lower than that to be charged to independent third parties for the same services under same circumstances. With respect to the provision of port and freight forwarding services by members of the Chiwan Group to members of the Group, the price to be paid will be based on the fee rate applicable to the freight forwarders at the time when the transaction is entered into. The price for bulk cargo business will be calculated with reference to the weight of goods and the price for container business will be calculated with reference to the type of the container. The price for the services provided are charged on a cost-plus basis, the business team of the Group will review and approve the service fees from time to time, and the relevant department of the member of the Group will, prior to the entering into of a transaction, conduct independent check against fee rate charged by similar service providers for similar services in surrounding area to ensure that the applicable fee rate to be charged by the relevant member of the Chiwan Group will not be higher than that charged by such member of the Chiwan Group to independent third parties for the same services under same circumstances. The above annual caps were determined with reference to the historical transaction amounts in respect of the above-mentioned services provided by members of the Group to members of the Chiwan Group (and vice versa) and the potential future growth in the transaction between the Group and the Chiwan Group. In particular, due to the formation of shipping alliance by shipping companies in recent years, it is expected that the container throughput in West Shenzhen will increase. Given that Chiwan expects that it will be running almost at full capacity in certain seasonal period, there will be overflow of business to the Group and therefore it is expected that there will be increase in the container throughput handled by the Group. For the year ended 31 December 2017, the service fees paid by the Group to members of the Chiwan Group and the service fees received by the Group from members of the Chiwan Group for the services contemplated under the Framework services Agreement were RMB29.8 million (equivalent approximately HK$36.3 million) and RMB28 million (equivalent to approximately HK$34.1 million), respectively.

(III) REVISION OF ANNUAL CAP FOR TENANCY AGREEMENTS WITH CMG GROUP

Reference is made to the announcement of the Company dated 28 December 2017 in relation to, inter alia, the determination of an aggregate annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from the CMG Group and its associates for the year ending 31 December 2018.

Upon completion of the Disposal, Chiwan will become a subsidiary of CMG and a connected person of the Company. Accordingly, the existing tenancy agreements between members of the Group and members of the Chiwan Group (all of which are exempt from the announcement, annual reporting and shareholders' approval requirements on an individual basis) will become connected transactions of the Company and will have to be aggregated together with other tenancy agreements with the CMG Group. Accordingly, the Directors resolved to revise the aggregate annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from the CMG Group and its associates to RMB57 million (equivalent to approximately HK$69.51 million) for the year ending 31 December 2018. Such increase in aggregate annual cap was determined with reference to the rental receivable under the existing tenancy agreements between members of the Group and members of the Chiwan Group. The historical annual caps in respect of the annual aggregate maximum amount of rental payable by the Group and its associates to the CMG Group and its associates have been set out in the announcements of the Company dated 23 December 2016 and 28 December 2017. For the year ended 31 December 2017, the rental income received by the Group from members of the Chiwan Group was RMB12.4 million (equivalent to approximately HK$15.1 million).

The Directors, including the independent non-executive Directors, are of the view that, taking into account the historical amounts and the expected future increase in rental, the revised annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from the CMG Group and its associates for the year ending 31 December 2018 are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

(IV) REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the Framework Service Agreement have been part of the day to day operation between the Company and Chiwan and carried under the ordinary and usual course of business of both companies and is therefore mutually beneficial for these to be continued going forward.

The Directors, including the independent non-executive Directors, are of the view that the Framework Service Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and, taking into account the historical amounts paid or received (as the case may be) and any potential future growth in the transaction between the Company and the Chiwan Group, the proposed annual caps for the year ending 31 December 2018 are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. In addition, the Directors, including the independent non-executive Directors, are also of the view that the revised aggregate annual cap for the rental receivable from CMG Group and its associates is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

None of the directors have a material interest in the Framework Service Agreement, nor are they required to abstain from voting in the relevant board resolutions.

(V) IMPLICATIONS UNDER THE LISTING RULES

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual cap for the transactions contemplated under the Framework Service Agreement and the revised aggregate annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from the CMG Group and its associates are more than 0.1% but less than 5%, accordingly, they are subject to the announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

5 EGM

The EGM will be held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m. on 19 March 2018. At the EGM, ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Share Purchase Agreements, the Chiwan Entrustment Termination Agreement and the Acquisition Agreement. In accordance with the Listing Rules, CMG, which is interested in approximately 62% shares in the Company as at the Latest Practicable Date, and its associates are required to abstain from voting on the ordinary resolutions approving the Share Purchase Agreements, the Chiwan Entrustment Termination Agreement and the Acquisition Agreement at the EGM.

To ascertain the Shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 14 March 2018 to 19 March 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars. Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 13 March 2018.

6 RECOMMENDATION

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Acquisition. Somerley considers that the Disposal and the Acquisition have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, is fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, Somerley advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal and the Acquisition.

Having considered the advice from Somerley which are set out on pages 38 to 88 of this circular, the Independent Board Committee concurs with the views of Somerley and the Board also considers that the Disposal and the Acquisition have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, is fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal and the Acquisition.

7 ADDITIONAL INFORMATION

Your attention is also drawn to the letter of the Independent Board Committee set out on pages 36 to 37 of this circular, the letter set out on pages 38 to 88 of this circular from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Acquisition, and to the additional information set out in the appendices to this circular.

Yours faithfully

By Order of the Board of
China Merchants Port Holdings Company Limited
Hu Jianhua
Vice Chairman

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

1 March 2018

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED*

AND

(2) MAJOR AND CONNECTED TRANSACTION TERMINATION OF THE ENTRUSTMENT AGREEMENT OVER ENTIRE INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED* HELD BY CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION*

AND

(3) DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF INTEREST IN THE PORT OF NEWCASTLE

INTRODUCTION

We refer to the circular dated 1 March 2018 (the "**Circular**"), of which this letter forms part, issued by the Company to its Shareholders. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Disposal and the Acquisition. The Independent Board Committee was set up to advise whether, in its view, the Disposal and the Acquisition are in the interests of the Company and its Shareholders and is fair and reasonable and to recommend whether or not the Independent Shareholders should vote for the ordinary resolutions to be proposed at the EGM to approve the Disposal and the Acquisition.

The terms of the Disposal and the Acquisition are summarised in the "Letter from the Board" set out on pages 8 to 35 of the Circular. In addition, the Independent Board Committee has been advised by the Independent Financial Adviser in considering the terms of the Disposal and the Acquisition. You are strongly urged to read the letter from Somerley to the Independent Board Committee and the Independent Shareholders, which is set out on pages 38 to 88 of the Circular.

* *For identification purpose only*

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Disposal and the Acquisition and the basis upon which its terms have been determined. We have also discussed with Somerley the basis upon which its advice has been given to us.

Taking into account the recommendations of Somerley, the Independent Board Committee considers that Disposal and the Acquisition as described in the "Letter from the Board" in the Circular have been entered into in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole and the terms of the Disposal and the Acquisition are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal and the Acquisition, as detailed in the notice of the EGM set out on pages EGM-1 to EGM-3 of the Circular.

Yours faithfully,
The Independent Board Committee

Mr. Kut Ying Hay
Independent non-executive Director

Mr. Lee Yip Wah Peter
Independent non-executive Director

Mr. Li Kwok Heem John
Independent non-executive Director

Mr. Li Ka Fai David
Independent non-executive Director

Mr. Bong Shu Ying Francis
Independent non-executive Director

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Disposal, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

1 March 2018

To: *The Independent Board Committee and the Independent Shareholders of China Merchants Port Holdings Company Limited*

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED*;

(2) MAJOR AND CONNECTED TRANSACTION
TERMINATION OF THE ENTRUSTMENT AGREEMENT OVER ENTIRE INTEREST IN SHENZHEN CHIWAN WHARF HOLDINGS LIMITED* HELD BY CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION*

AND

(3) DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN THE PORT OF NEWCASTLE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Disposal. Details of the Acquisition and the Disposal are set out in the circular issued by the Company to the Shareholders dated 1 March 2018 (the **"Circular"**), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 5 February 2018, the Company, through Malai Storage and Keen Field (both being indirect wholly-owned subsidiaries of the Company), entered into the Share Purchase Agreement A and Share Purchase Agreement B with SPV PRC and SPV HK (both being indirect wholly-owned subsidiaries of CMG, the ultimate holding company of the Company) respectively, pursuant to which the Company agreed to sell the Sale Shares A and the Sale Shares B respectively, representing an aggregate of approximately 33.6% of the issued share capital of Chiwan. On the same date, China Nanshan (the

Company owns indirectly approximately 37% of the total issued share capital of China Nanshan as at the Latest Practicable Date) entered into the Share Purchase Agreement C with SPV PRC, pursuant to which China Nanshan agreed to sell the Sale Shares C, representing approximately 32.5% of the issued share capital of Chiwan. Also on the same date, the Company and China Nanshan entered into the Chiwan Entrustment Termination Agreement, pursuant to which the Chiwan Entrustment Agreement and together with all rights and obligations of the Company and China Nanshan under the Chiwan Entrustment Agreement will be terminated. Accordingly, the Company will no longer be entitled to exercise the management rights and will no longer have the power to direct the voting right over the Sale Shares C upon the Chiwan Entrustment Termination Agreement becoming effective.

On 6 February 2018, the Company, CMU and Gold Newcastle Property Holding Pty Limited (**"Gold Newcastle Property"**) entered into the Acquisition Agreement, pursuant to which the Company agreed to purchase, and CMU and Gold Newcastle Property agreed to sell, the Newcastle Sale Securities and the Gold Newcastle Sale Securities, comprising substantially (i) 50% interest in Port of Newcastle Investments (Holdings) Pty Limited, Port of Newcastle Investments (Holdings) Trust, Port of Newcastle Investments (Property Holdings) Trust and Port of Newcastle Investments (Property Holdings) Pty Limited; and (ii) shareholder's loan notes with a principal amount of AUD162.5 million (equivalent to approximately HK$1,018.9 million).

The Disposal and the Acquisition are not inter-conditional.

As SPV PRC and SPV HK are indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major and connected transaction of the Company, and is subject to the (i) reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules; and (ii) the announcement, independent shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules. Furthermore, as the Chiwan Entrustment Termination Agreement and the Share Purchase Agreements are inter-conditional, the Chiwan Entrustment Termination Agreement will also constitute a connected transaction of the Company under the Listing Rules.

As CMU is a substantial shareholder of the Company and is also an associate of CMG, the ultimate holding company of the Company, and Gold Newcastle Property is a wholly-owned subsidiary of CMU, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitute a discloseable and connected transaction of the Company, and is subject to (i) the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) the announcement, shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

CMG is the ultimate holding company of the Company and is considered to have material interests under the Share Purchase Agreements, the Chiwan Entrustment Termination Agreement and the Acquisition Agreement and the transactions contemplated thereunder. CMG, together with its associates, is required to abstain from voting on the resolutions to be proposed at the EGM to approve the Share Purchase Agreements, the Chiwan Entrustment Termination Agreement and the Acquisition Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely 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, has been established to advise the Independent Shareholders on the terms of the Share Purchase Agreements, the Chiwan Entrustment Termination Agreement and the Acquisition Agreement and to make recommendations as to votings. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Malai Storage, Keen Field, China Nanshan, SPV PRC, SPV HK, Chiwan, CMG, CMU, Gold Newcastle Property, Port of Newcastle or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the above matters. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, Malai Storage, Keen Field, China Nanshan, SPV PRC, SPV HK, Chiwan, CMG, CMU, Gold Newcastle Property, Port of Newcastle or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the Share Purchase Agreements, the Chiwan Entrustment Agreement, the Chiwan Entrustment Termination Agreement, the Acquisition Agreement, the annual reports of the Company for the two years ended 31 December 2015 and 2016, the interim report of the Company for the six months ended 30 June 2017, the annual report of Chiwan for the year ended 31 December 2016 (the **"Chiwan 2016 Annual Report"**), the interim report of Chiwan for the six months ended 30 June 2017 (the **"Chiwan 2017 Interim Report"**), the third quarterly report of Chiwan for the nine months ended 30 September 2017 (the **"Chiwan 2017 Third Quarterly Report"**) , the annual report of the Port of Newcastle for the year ended 31 December 2016 (the **"Port of Newcastle 2016 Annual Report"**), certain financial information of the Port of Newcastle for the two years ended 31 December 2016 and the nine months ended 30 September 2017, certain financial information of Gold Newcastle for the year ended 31 December 2016 and the information as set out in the Circular. We have also discussed with the management of the Group the future prospects of the business of the Group after completions of the Acquisition and the Disposal and performed a site visit to the Port of Newcastle.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, Chiwan or the Port of Newcastle, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. **Business and financial information of the Group**

The Group is China's largest and a global port developer, investor and operator, with a ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean. The Group's core business includes primarily investing and operating ports and port-related activities based from a portfolio of assets located at the three economically most active delta regions along China's coast.

The Group used to have four segments, namely ports operation, bonded logistics operation, port-related manufacturing operation and other operations. The ports operation is the major contributor to the Group's revenue and profits. The ports operation includes container terminal operation, bulk and general cargo terminal operation in all major areas in mainland China, Hong Kong and Taiwan, and certain overseas locations including, among others, France, Turkey, Djibouti, Sri Lanka, Nigeria and Togo. The bonded logistics operation includes logistic park operation, ports transportation and airport cargo handling. The port-related manufacturing operation represents container manufacturing operated by CIMC, an associate of the Group. The other operations mainly include property development and investment and construction of modular housing, property investment and corporate function.

In the middle of 2017, the Company completed the disposal of its entire equity interest in CIMC with a consideration of approximately HK$8,739.0 million (after adjustment). The Group recognised a disposal gain of approximately HK$813.0 million upon completion of the disposal.

Set out below is a summary of the total container throughput and bulk cargo volume handled by the ports operated by the Group for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017.

Container throughput (in million twenty-foot equivalent unit ("TEU")):	**For the six months ended 30 June**		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
- Ports in Mainland China	37.9	34.5	71.9	61.5
- Ports in Hong Kong and Taiwan	3.7	3.1	6.9	6.1
- Ports in overseas	8.6	8.5	17.0	16.1
Total	50.2	46.1	95.8	83.7

Bulk cargo volume handled (in million tonnes):	**For the six months ended 30 June**		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
- Ports in Mainland China	246	214	453	348
- Other ports	3	4	7	5
Total	249	218	460	353

Set out in the table below is a summary of the Group's financial performance for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017.

	For the six months ended 30 June		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Revenue	4,055	3,847	7,976	8,233
Cost of sales	(2,291)	(2,206)	(4,621)	(4,602)
Gross profit	1,764	1,641	3,355	3,631
Net other income and gains	1,026	159	1,561	339
Administrative expenses	(530)	(460)	(1,019)	(989)
Operating profit	2,260	1,340	3,897	2,981
Net finance costs	(546)	(417)	(900)	(700)
Share of profit less losses of associates	1,861	1,267	3,389	3,890
Share of profit less losses of joint ventures	203	156	297	144
Profit before taxation	3,778	2,346	6,683	6,315
Taxation	(302)	(356)	(477)	(790)
Profit for the period / year	3,476	1,990	6,206	5,525
Profit attributable to the equity holders of the Company	3,148	1,690	5,494	4,808

For the year ended 31 December 2016, the revenue of the Group decreased to approximately HK$7,976 million from approximately HK$8,233 million for the year ended 31 December 2015. The decrease was mainly due to the movement in RMB exchange rate against HK$, but such drop was partly offset by the added production capacities from overseas greenfield projects in ramp-up period and new projects acquired. Profit attributable to the equity holders of the Company amounted to HK$5,494 million, up approximately 14.3% over the previous year. Due to better-than-expected contributions from overseas greenfield projects and added contributions from new projects, the Group recorded a recurrent profit of HK$4,581 million for 2016, representing an increase of approximately 2.7% year-on-year. The Group's container throughput increased by approximately 14.5% to approximately 95.8 million TEUs and bulk cargo volume handled went up by 30.3% to approximately 460 million tonnes for 2016. The enhancement was mainly attributable to the increase in cargos handled by the Group at the ports in the PRC.

For the six months ended 30 June 2017, the revenue of the Group recorded a year-on-year growth to approximately HK$4,055 million, representing an approximately 5.4% increase from approximately HK$3,847 million for the six months ended 30 June 2016. The improvement was mainly due to the rise of business volume attributable to the cyclical recovery in the manufacturing and trading sectors and the continuing growth momentum of regional economic performance in the PRC. During the six months ended 30 June 2017, the Group's port handled a total container throughput of approximately 50.2 TEUs, representing a year-on-year increase of approximately 8.9%. The bulk cargo volume handled by the ports of the Group in the PRC during the six months ended 30 June 2017 was approximately 246 million tons, representing a year-on-year increase of approximately 15.0%.

Set out below is a summary of the financial position of the Group as at 30 June 2017, 31 December 2016 and 2015.

	As at 30 June	As at 31 December	
	2017	2016	2015
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
ASSETS			
Non-current assets			
Property, plant and equipment	18,666	18,459	19,570
Interests in associates	37,046	43,020	37,953
Others	37,706	35,621	32,540
	93,418	97,100	90,063
Current assets			
Cash and bank balances	15,424	3,637	10,293
Others	4,166	2,376	1,993
	19,590	6,013	12,286
Total assets	113,008	103,113	102,349

	As at 30 June	As at 31 December	
	2017	2016	2015
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
EQUITY			
Capital and reserves attributable to the equity holders of the Company	69,795	65,908	68,828
Non-controlling interests	8,470	7,830	7,821
	78,265	73,738	76,649
LIABILITIES			
Non-current liabilities			
Other financial liabilities	19,584	16,793	16,681
Others	3,062	3,438	4,231
	22,646	20,231	20,912
Current liabilities			
Creditors and accruals	4,436	3,497	2,582
Others	7,661	5,647	2,206
	12,097	9,144	4,788
Total equity and liabilities	113,008	103,113	102,349
Net current assets/(liabilities)	7,493	(3,131)	7,498

As at 30 June 2017, total assets of the Group were approximately HK$113,008 million, representing an increase of approximately 9.6% from that as at 31 December 2016. The Group had a significant portion, around 32.8%, of its total assets as at 30 June 2017 represented by interests in associates, which accounted for approximately 41.7% of the total assets as at 31 December 2016. The decrease in the proportion of the interests in associates was mainly due to the disposal of equity interest in CIMC during the first half of 2017. After the CIMC disposal, the Group's material associates included Shanghai International Port (Group) Co., Ltd. (**"Shanghai International Port"**), whose shares are listed on the Shanghai Stock Exchange (stock code: 600018.SH), and Dalian Port (PDA) Company Limited ("**Dalian Port**"), whose shares are listed on the Main Board of the Stock Exchange (stock code: 2880.HK) and the Shanghai Stock Exchange (stock code: 601880.SH). All the Group's associates are accounted for using equity method in the consolidated financial statements of the Company. Property, plant and equipment accounted for approximately 16.5% of the Group's total assets as at 30 June 2017.

Net asset value (**"NAV"**) attributable to the equity holders of the Company was HK$69,795 million as at 30 June 2017, representing an increase of approximately 5.9% from that as at 31 December 2016. The enhancement in the NAV was mainly attributable to the profit derived from the core ports operation and the gain on disposal of equity interest in CIMC. As at 30 June 2017, the Group returned to a net current asset position of approximately HK$7,493 million, compared with the net current liability position of approximately HK$3,131 million as at 31 December 2016, mainly due to the receipt of the cash proceeds from the disposal of equity interest in CIMC during the period.

2. **Information on Chiwan**

(a) **Business**

Chiwan is a company incorporated in the PRC with its A shares ("**Chiwan A Share**", stock code: 000022) and its B shares ("**Chiwan B Share**", stock code: 200022) listed on the Shenzhen Stock Exchange. Chiwan and its subsidiaries (the "**Chiwan Group**") are principally engaged in the provision of port handling, storage, transportation and other ancillary services for containers and bulk cargoes, as well as the provision of tugs boat services, agents and other services in Shenzhen and Dongguan, the PRC. As set out in the letter from the Board contained in the Circular, Chiwan is the holding company of Chiwan Container Terminal Co., Ltd. (which operates berth numbers 9 to 13 at the Chiwan Port Area in Shenzhen), Shenzhen Chiwan Harbour Container Co., Ltd. (which operates berth number 8 at the Chiwan Port Area in Shenzhen) and the Mawan Companies (which operate berth numbers 0, 5, 6 and 7 at the Mawan Port Area in Shenzhen), as well as having a controlling interest in operations in general and bulk cargo terminals businesses in Dongguan.

Set out below is a summary of the total container throughput of and bulk cargo volume handled by the ports operated by the Chiwan Group for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 as disclosed in the Chiwan 2016 Annual Report and the Chiwan 2017 Interim Report respectively.

	For the six months ended 30 June		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
Container throughput (in million TEU):	2.5	2.4	5.0	4.8
Bulk cargo volume handled (in million tonnes):	11.2	8.6	18.8	19.3

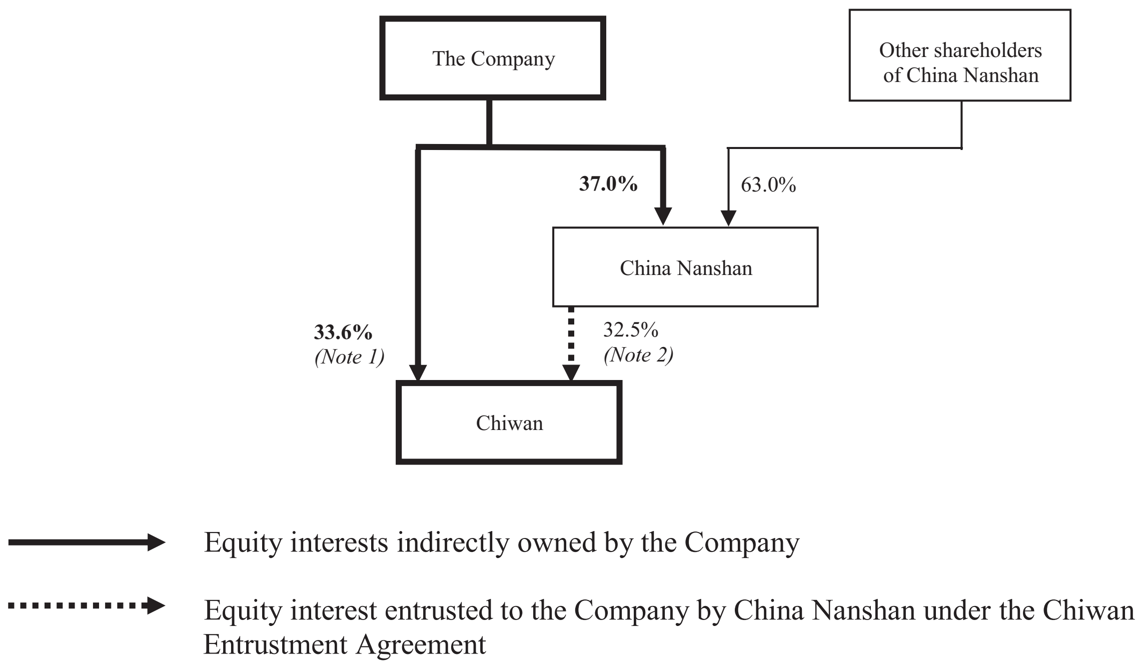
Based on the above, in terms of container throughput and bulk cargo volume handled, the Chiwan Group accounted for no more than 6% of the corresponding operating metrics of the Group for each of the year ended 31 December 2015 and 2016 and the six months ended 30 June 2017 and 2016.

(b) **History and shareholding structure**

On 17 September 2012, the Company and China Nanshan entered into the Chiwan Entrustment Agreement, pursuant to which China Nanshan granted to the Company the management rights and the power to direct the voting right over the entire equity interest in Chiwan held by China Nanshan.

On 27 December 2012, Malai Storage and China Nanshan, entered into a share transfer agreement (the **"Chiwan Transfer Agreement"**), pursuant to which China Nanshan transferred a 25.0% equity interest in Chiwan to the Group. Together with an approximately 8.6% of equity interest in Chiwan held by the Group as at the date of the Share Purchase Agreements, the Group's direct equity interest in Chiwan increased to approximately 33.6% and the Group became the largest shareholder of Chiwan. As at the Latest Practicable Date, the Group had directly and through China Nanshan approximately 33.6% and 32.5% of the equity interests in Chiwan respectively.

Set out below is a simplified shareholding structure chart of Chiwan as at the Latest Practicable Date.



Notes:

1. It represents 161,190,933 Chiwan A Shares (i.e. the Sale Shares A) and 55,314,208 Chiwan B Shares (i.e. the Sale Shares B) held by Malai Storage and Keen Field respectively.

2. It represents 209,687,067 Chiwan A Shares (i.e. the Sale Shares C) held by China Nanshan.

With a direct equity interest of approximately 33.6% in Chiwan and pursuant to the Chiwan Entrustment Agreement, the Group has been able to exert control over the management and operation of the Chiwan Group, has had the power to appoint and remove the majority of the board of directors of the relevant entities and has held more than half of the voting rights at the relevant shareholders' meetings of the Chiwan Group. Accordingly, Chiwan has been a subsidiary of the Company and the financial results of the Chiwan Group have been consolidated to that of the Group.

(c) **Financial information of the Chiwan Group**

Set out below is a summary of financial performance of the Chiwan Group for the year ended 31 December 2015 and 2016 and the nine months ended 30 September 2016 and 2017 as extracted from the Chiwan 2016 Annual Report and the Chiwan 2017 Third Quarterly Report respectively:

	For the nine months ended 30 September		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Revenue	1,862.9	1,775.4	1,905.1	1,872.6
Operating profit	725.6	695.3	768.1	728.1
Profit before taxation	728.4	698.8	770.7	728.0
Profit after taxation	612.9	598.8	669.8	652.7
Profit attributable to shareholders of Chiwan	440.4	424.8	532.4	527.8

The Chiwan Group's revenue has been substantially derived from cargo loading and unloading services. For 2016, the Chiwan Group's revenue amounted to approximately RMB1,905.1 million (equivalent to approximately HK$2,323.3 million), representing a year-on-year increase of approximately 1.7%. The slight growth was mainly due to the combined effects of (i) increase in container throughput by approximately 5.8%; and (ii) the decrease in bulk cargo volume handled by approximately 2.4%. The operating profit for 2016 was approximately RMB768.1 million (equivalent to approximately HK$936.7 million), representing a year-on-year increase of approximately 5.5%. The increase was mainly attributable to (i) the growth in turnover; (ii) the reduction in finance costs as a result of the decreases in both the average interest-bearing debt balance and the average interest rate; and (iii) the increase in income from investments in a joint venture and associates due to the enhancements of operating performances of these investments. Similarly, the net profit attributable to shareholders of Chiwan recorded a slight year-on-year increase of approximately 0.9%, rising from approximately RMB527.8 million (equivalent to approximately HK$643.6 million) for 2015 to approximately RMB532.4 million (equivalent to approximately HK$649.3 million) for 2016. The relatively smaller growth in the net profit attributable to shareholders of Chiwan was mainly due to the increase in income tax expense of approximately 33.9% from approximately RMB75.3 million (equivalent to approximately HK$91.8 million) for 2015 to approximately RMB100.8 million (equivalent to approximately HK$122.9 million) for 2016 since the preferential tax treatment for certain operations in Dongguan ended in 2016.

For the nine months ended 30 September 2017, the Chiwan Group recorded a revenue of approximately RMB1,862.9 million, representing a year-on-year increase of approximately 4.9%. The growth was chiefly attributable to the surge in the bulk cargo volume handled by the Chiwan Group during the period, recording a year-on-year increase of approximately RMB88.5 million (equivalent to approximately HK$107.9 million) or 18%, although it was partly offset as a result of the drop in charge rate for container handling. The profit attributable to shareholders of Chiwan increased by approximately 3.7% from approximately RMB424.8 million (equivalent to approximately HK$518.0 million) for the nine months ended 30 September 2016 to approximately RMB440.4 million (equivalent to approximately HK$537.1 million) for the nine months ended 30 September 2017. The enhancement in profit was mainly attributable to the growth in revenue and the fall in finance costs as a result of the decreases in both the average interest-bearing debt balance and the average interest rate.

Set out below is a summary of financial position of the Chiwan Group as at 30 September 2017 and 31 December 2016 and 2015 as extracted from the Chiwan 2017 Third Quarterly Report and the Chiwan 2016 Annual Report respectively:

	As at 30 September	**As at 31 December**	
	2017	**2016**	**2015**
	(RMB million)	*(RMB million)*	*(RMB million)*
ASSETS			
Non-current assets			
Fixed assets	3,724.9	3,036.8	3,213.2
Investments in a joint venture and associates	1,145.0	1,490.4	1,447.0
Intangible assets	1,361.8	1,010.8	1,046.9
Others	516.9	421.1	283.3
	6,748.6	5,959.1	5,990.4
Current assets			
Trade receivables	357.8	173.9	189.0
Cash and bank balances	874.6	426.0	683.1
Others	81.1	61.5	51.2
	1,313.5	661.4	923.3
Total assets	8,062.1	6,620.5	6,913.7

	As at 30 September 2017 (RMB million)	As at 31 December 2016 (RMB million)	2015 (RMB million)
LIABILITIES			
Current liabilities			
Short-term and other borrowings	255.0	250.0	641.6
Dividends payable	—	—	88.7
Trade and other payables	139.1	89.4	91.5
Receipts in advance	156.2	30.7	40.5
Others	239.4	214.3	225.7
	789.7	584.4	1,088.0
Non-current liabilities			
Bonds payable	298.8	298.3	497.8
Others	226.4	100.8	98.6
	525.2	399.1	596.4
Total liabilities	1,314.9	983.5	1,684.4
Net current assets/(liabilities)	523.8	77.0	(164.7)
EQUITY			
Equity attributable to shareholders of Chiwan	4,864.3	4,709.8	4,439.6
Non-controlling interests	1,882.9	927.2	789.7
	6,747.2	5,637.0	5,229.3

As at 30 September 2017, total assets of the Chiwan Group were approximately RMB8,062.1 million (equivalent to approximately HK$9,831.8 million), representing an increase of approximately 21.8% from that as at 31 December 2016. The significant increase was mainly due to the consolidation of Media Port Investments Limited, which was previously an associate of the Chiwan Group and held four berths in Mawan Port in Shenzhen, since September 2017. The Group had a significant portion, around 46.2%, of its total assets as at 30 September 2017 represented by fixed assets, which mainly comprised port and related facilities. Apart from fixed assets, approximately 14.2% of the total assets consisted of the Chiwan Group's investments in a joint venture and associates, which mainly represented by 40% equity interest in China Overseas Harbour Affairs (Laizhou) Company Limited (中

海港務(萊州)有限公司), a company jointly established by China Overseas Group Company Limited and Chiwan with principal activity of operation of port at Yantai, Shandong Province, the PRC. Intangible assets represented approximately 16.9% of the total assets of Chiwan, which mainly comprised land use rights of the port, berth and related facilities in Chiwan.

As at 30 September 2017, the major liabilities of the Chiwan Group included the bonds payable of approximately RMB298.8 million (equivalent to approximately HK$364.4 million), which represented the bonds issued by Chiwan in October 2016, and the short-term notes payable of approximately RMB255.0 million (equivalent to approximately HK$311.0 million).

NAV attributable to the shareholders of Chiwan was approximately RMB4,864.3 million (equivalent to approximately HK$5,932.1 million) as at 30 September 2017, representing an increase of approximately 3.3% from that as at 31 December 2016, which was mainly attributable to the net profit recorded for the nine months ended 30 September 2017. Based on the 644,763,730 Chiwan Shares in issue as at the Latest Practicable Date, the NAV per Chiwan Share was approximately RMB7.54 (equivalent to approximately HK$9.20).

3. **Market outlook for the Chiwan Group**

As discussed in the Chiwan 2017 Interim Report, there were signs of improvements in the world economy and international trade during the first half of 2017. Nevertheless, the fundamentals and the recovery of global economy remain weak and strong structural growth has not yet occurred. Total throughput and container throughput of ports in China recorded year-on-year growths of 7.3% and 7.8% respectively. Chiwan has managed to keep up the pace of the industry and recorded a growth in throughput of 7.4% for the same period.

In container business, competition intensified in the Pearl River Delta region during the six months ended 30 June 2017. The total container throughput of all ports in Shenzhen grew by 3.8%, which was lower than the PRC national average. To make matters worse, the Chiwan Group underperformed and only managed an increase of 1.8% in container throughput in the same period. In bulk cargo business, with the rebound of the PRC domestic economy, the total import volume of cereals and fertilisers showed a growth trend and as a result the Chiwan Group registered an increase in bulk cargo throughput of 31.1% in the first half of 2017 as compared to that in the corresponding period of 2016.

While it was expected that both the world and Chinese economies together with the foreign trade volume would continue their upward trends in the second half of 2017, there were a number of challenges remain at the same time, including but not limited to potential inflation pressures, major economies monetary policy adjustments and trade protectionism. The performance of the Chiwan Group would continue to be subject to the external operating environment, which would result in the increased volatility of ports operations.

Specifically, there are external risks including the uncertainty in the recovery of macroeconomic and the increasing competitions among regional ports. The risk factors involved in the macroeconomic recovery will materially affect the demand for container and bulk cargo shipment and hence the financial results of the Chiwan Group. Moreover, there is an excess capacity in the ports in the Pearl River Delta region and the homogenisation of services among the ports has further exacerbated the competitions among themselves. The business of the Chiwan Group is combating the risks of diversion of the demand to the other regional ports and the downward pressure of the service charge rates due to the intensifying competitions. There are internal risks of the Chiwan Group, which mainly stem from the escalation of operating costs and the relatively single business structure. The production costs such as land and labour continue to rise, which result in narrowing the profit margins. Also, the Chiwan Group has substantially relied on the provision the traditional port handling service and is vulnerable to the changes in the demand for such service.

On 15 November 2017, in respond to the result of antitrust investigation, the National Development and Reform Commission of the PRC (the **"NDRC"**) requested a number of port operators including Shanghai International Port, Tianjin Port Company Limited (stock code in Shanghai stock exchange: 600717) (**"Tianjin Port"**), Qingdao Port International Co., Ltd. (stock code in the Stock Exchange: 6198) (**"Qingdao Port"**) and Ningbo Zhoushan Port Company Limited (stock code in Shanghai stock exchange: 601018) (**"Ningbo Zhoushan Port"**) to lower their respective port handling fee. On 3 February 2018, the NDRC further requested the reduction in container handling fee at Dalian Port, Guangzhou Port and Shenzhen's Yantian Port, Shekou Port and Chiwan Port, which would be effective from 2018. The container handling fee at the Chiwan Port has to be reduced from RMB1,200 (equivalent to approximately HK$1,463) per TEU to RMB800 (equivalent to approximately HK$976) per TEU, representing an one-third decrease. Such reduction in container handling fee is likely bring a negative impact to the future profitability of Chiwan. As the trading of shares of Chiwan has been suspended since 20 November 2017, the share prices of Chiwan may not have fully reflected the fee reduction request from the NDRC.

4. **Reasons for and benefits of the Disposal**

As set out in the letter from the Board contained in the Circular, in accordance with the requirements of the CSRC, the Company issued a non-compete undertaking to Chiwan on 17 September 2012 (the **"Non-Compete Undertaking"**), pursuant to which (i) the Company undertook that it would resolve any potential competition between Chiwan and the Group's other ports operation business in West Shenzhen (the **"Competition Issue"**) by way of assets reorganisation within three to five years; (ii) the senior management of the Company will not take up any senior management role in Chiwan pursuant to applicable laws and regulations; and (iii) the Company confirmed that the Non-Compete Undertaking was issued in order to protect the interests of the shareholders of Chiwan, and the terms of the Non-Compete Undertaking is fair and reasonable, moreover, the Company will not operate in any way that will materially adversely affect the interests of the shareholders of Chiwan. The Non-Compete Undertaking shall remain in full force provided that the Company have control over Chiwan. Upon completion of the Disposal, the Company will no longer have any interest in Chiwan, Chiwan will cease to be recognised as a subsidiary of the Company in the consolidated financial statements of the Group. Therefore the Non-Compete Undertaking will cease to have effect upon completion of the Disposal.

Whilst the Company has previously considered various options to resolve the Competition Issue, the Company was unable to implement these options and accordingly the Non-Compete Undertaking expired in September 2017. As approved by the shareholders of Chiwan, the Company undertook that it would completely resolve the Competition Issue by 16 September 2020.

If the Competition Issue is not resolved, pursuant to the relevant rules and regulations and guidance from the regulators, it will impact Chiwan's future application to the CSRC for administrative approval in relation to refinancing and issuance of new shares for acquisition and will therefore have a material impact on Chiwan's capital market financing ability and thereby negatively impact the value of the shares of Chiwan. In addition, if the Company fails to fulfil the Non-Compete Undertaking, it might be subject to CSRC's administrative penalty and might impact the Company's capital market operations in the PRC.

The Disposal is an important step for the Company to honour the Non-Compete Undertaking that it had previously provided and an important first step for the Competition Issue to be resolved. The Company understands from CMG that going forward, it is the intention of CMG to hold its interest in the Company through Chiwan and thereby completely resolving the Competition Issue for Chiwan. Therefore, the Disposal to CMG (instead of any independent third party purchasers) is also in line with the plan to resolve the Competition Issue. Moreover, given CMG is the ultimate controller of each of the Company and Chiwan, the purchasers of the Sale Shares are likely to be qualified to obtain a waiver from general offer for the shares of Chiwan as a result of the Disposal and therefore, if the Company conducts the Disposal with an independent third party purchaser (and who is unlikely to qualify for such waiver), the costs on the part of the purchaser to implementing for the Disposal might increase and the consideration that the Company will receive might as a result be lower. Based on the assessment of the consideration for the Disposal in the section headed "7. Evaluation of the consideration for the Disposal" in this letter, the consideration for the Disposal is considered to be in line with the market. On-market disposal of the Chiwan Shares is possible but less desirable as disposing such large block of shares (i.e. approximately 66.1%) on market may cause a significant downward pressure on the market price level of the Chiwan Shares and therefore the proceeds from doing so is likely less than that as implied by prevailing market price. Having considered above, we are of the view that the Disposal is an acceptable mean to resolve the Competition Issue.

From the perspective of the Group, the Group has a comprehensive ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean, among others. As discussed in the section headed "2. Information on Chiwan", in terms of container throughput and bulk cargo volume handled, the Chiwan Group accounted for not more than 6% of the total operating metrics of the Group for the years ended 31 December 2015 and 2016 and for the six months ended 30 June 2017. The Disposal will not materially affect the business operations and financial performance of the Group as a whole.

We further understand that the entire amount of the net proceeds of the Disposal (in respect of the Sale Shares A and the Sale Shares B only) of approximately HK$4,893 million is intended to be used for working capital and to fund possible future investment opportunities of the Company in the ports and port-related business (either by acquisition of existing ports and port-related business or investing into new green-field projects). While the Company has not determined the specific allocation and timing for the application of the proceeds, if the Disposal is completed prior to the completion of the Acquisition, the Company will apply part of the proceeds for full settlement of the consideration for the Acquisition. We have reviewed the working capital forecast of the Company and note that the Company planned to apply part of the proceeds to settle the payments for the Acquisition and a number of previously announced acquisitions, including Hambontota port in Sri Lanka and Port of Paranaguá in Brazil.

In addition to the above, the Company is also of the view that it is currently a good timing for the Company to unlock the value of its investment in Chiwan as Chiwan's contribution in terms of container throughput has decreased from 2010 to 2016; and Chiwan's net income contribution has stayed flat from 2010 to 2016, despite an increase in stake by the Company from 29.3% to 45.7%. In terms of operational performance, Chiwan's contribution in terms of total container throughput has decreased from 2010 to 2016 and Chiwan's net profit contribution has stayed flat from 2010 to 2016. The increase in the net profit before tax for the two years ended 31 December 2015 and 2016 was mainly due to the decrease in interest expense by repayment of debt in 2016. The Company considers that it may have a better return if it chooses to invest in other investments. The Company realising its investment in Chiwan at this time will generate a variety of opportunities for the Company to create value for its shareholders by investing in other high-quality overseas projects to increase future investment returns.

Having considered the above, in particular (i) the honouring of the Non-Compete Undertaking to resolve the Competition Issue; (ii) the potential impact on the Company if the Company fails to fulfil the Non-Compete Undertaking; (iii) the relatively small operating scale and constrained ports network of the Chiwan Group as compared to that of the Group; (iv) the still challenging outlook of the industry, in particular the expected reduction in port handling fee, that the Chiwan Group operates in; and (v) the limited growth in income contribution of the Chiwan Group in the last few years, the entering into the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement are considered acceptable.

5. **Principal terms of the Share Purchase Agreements**

Set out below is a summary of the principal terms of the Share Purchase Agreements.

(a) **Date**

5 February 2018

(b) **Parties and subject matter of the Share Purchase Agreements:**

	The Share Purchase Agreement A	**The Share Purchase Agreement B**	**The Share Purchase Agreement C**
Seller	Malai Storage	Keen Field	China Nanshan
Purchaser	SPV PRC	SPV HK	SPV PRC

	The Share Purchase Agreement A	The Share Purchase Agreement B	The Share Purchase Agreement C
Shares to be acquired / disposed of	Sale Shares A	Sale Shares B	Sale Shares C
Number and class of Chiwan Shares	161,190,933 Chiwan A Shares	55,314,208 Chiwan B Shares	209,687,067 Chiwan A Shares
Approximate percentage of Chiwan Shares to be acquired /disposed of to the total issued share capital of Chiwan as at the Latest Practicable Date	25.0%	8.6%	32.5%
Consideration	Approximately RMB4.11 billion (equivalent to approximately HK$5.01 billion and RMB25.47 per Sale Share A)	Approximately HK$738.4 million (equivalent to HK$13.35 per Sale Share B)	Approximately RMB5.34 billion (equivalent to approximately HK$6.51 billion and RMB25.47 per Sale Share C)

Adjustment to consideration

If any ex-dividend or ex-right event such as cash dividend, scrip dividend, allotment or conversion of capital reserves into share capital is approved by the shareholders of Chiwan from the date of the Share Purchase Agreements and before the Closing Date, the consideration per share payable by the relevant purchaser shall be adjusted in accordance with the following formulas:

(1) Scrip dividend or conversion of capital into share capital: $P1=P0/(1+n)$;

(2) Allotment: $P1=(P0+A \times k)/(1+k)$;

(3) Items (1) and (2) above implemented simultaneously: $P1=(P0+A \times k)/(1+n+k)$;

(4) Distribution of cash dividend: $P1=P0-D$; and

(5) Items (1), (2) and (4) above implemented simultaneously: $P1=(P0-D+A \times k)/(1+n+k)$.

	The Share Purchase Agreement A	The Share Purchase Agreement B	The Share Purchase Agreement C
	Where: "P0" is the initial share purchase price of each share before adjustment, "n" is the ratio of scrip dividend or capitalization, "k" is the ratio of share allotment, "A" is the price for share allotment, "D" is the cash dividend per share (tax inclusive) and "P1" is the adjusted share purchase price of each share. In any event, the share purchase price of each share shall not be lower than 90% of the arithmetic mean of the daily weighted average ex-dividend prices of relevant Chiwan Shares for the 30 trading days prior to the date of the Share Purchase Agreements. If the shareholders of Chiwan approved to distribute cash dividend for the financial year ended 31 December 2017 from the date of the Share Purchase Agreements and before the Closing Date, the relevant seller will be entitled to receive and retain such dividend (and the respective buyer shall return such dividend to the relevant seller if it receives such dividend from Chiwan after the Closing Date). In the event of scrip dividend, allotment or conversion of capital reserves into share capital, the number of shares to be transferred shall be adjusted accordingly.		
Basis of the consideration	The consideration is negotiated and agreed by the parties on an arm's length basis with reference to the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the date of the Share Purchase Agreements and the historical price performances of Chiwan A Shares and Chiwan B Shares and the NAV per Chiwan Share as well as the price-to-earnings multiples (the "**P/E Multiples**") represented by the consideration of the Share Purchase Agreements against the market valuation of comparable companies.		
Payment terms			
- deposit (representing 30% of the total consideration) will be paid within five Business Days from the date of the Share Purchase Agreements	Approximately RMB1.23 billion (equivalent to approximately HK$1.50 billion)	Approximately HK$221.5 million	Approximately RMB1.60 billion (equivalent to approximately HK$1.95 billion)

	The Share Purchase Agreement A	The Share Purchase Agreement B	The Share Purchase Agreement C
- remaining balance (representing 70% of the total consideration) will be paid within ten Business Days after satisfaction of all the conditions precedent to the Share Purchase Agreements	Approximately RMB2.88 billion (equivalent to approximately HK$3.51 billion)	Approximately HK$516.9 million	Approximately RMB3.74 billion (equivalent to approximately HK$4.56 billion)
Use of proceeds	The entire amount of the proceeds from the disposals of the Sale Shares A and the Sale Shares B of approximately HK$4,893 million is intended to be used for general working capital and to fund possible future investment opportunities of the Company in ports and port-related business (either by acquisition of existing ports and port-related business or investing into new green-field projects). While the Company has not determined the specific allocation and timing for the application of the proceeds, if the Disposal is completed prior to the completion of the Acquisition, the Company will apply part of the proceeds for full settlement of the consideration for the Acquisition.		Not applicable.

(c) **Conditions Precedent**

The Share Purchase Agreements are conditional on the satisfaction of the following conditions:

(i) the fulfilment of all the conditions under the Chiwan Entrustment Termination Agreement;

(ii) the obtaining of the approval by the Independent Shareholders in accordance with the Listing Rules of the transfer of shares under the Share Purchase Agreements;

(iii) the obtaining of the approval by SASAC of the transfer of shares under the Share Purchase Agreements; and

(iv) the obtaining of the waiver from CSRC of the tender offer obligation triggered under the Share Purchase Agreements (if applicable).

None of the conditions precedent is waivable. As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

The relevant seller and the relevant purchaser may, with unanimous consent, terminate the relevant Share Purchase Agreements. The Share Purchase Agreements will terminate automatically if the conditions precedent are not fulfilled within 18 months from the date of the Share Purchase Agreements.

(d) **Closing**

Closing will take place within three Business Days after the latter of (i) full payment of the consideration by relevant purchaser to relevant seller when the relevant Sale Shares are transferred from relevant seller to relevant purchaser; and (ii) the approval by shareholders of Chiwan to distribute cash dividend for the financial year ended 31 December 2017. Since the Share Purchase Agreements are inter-conditional with each other, it is expected that closing of the Share Purchase Agreements will take place simultaneously.

6. **Principal terms of the Chiwan Entrustment Termination Agreement**

As at the Latest Practicable Date, the Company is entitled to exercise the management rights and has the power to direct the voting rights over the Sale Shares C pursuant to the Chiwan Entrustment Agreement, thereby (together with the Sale Shares A and the Sale Shares B held indirectly by the Company) allowing the Company to consolidate the assets, liabilities and financial results of the Chiwan Group into the consolidated financial statements of the Group.

After completion of the Share Purchase Agreements, Chiwan will cease to be recognised as a subsidiary of the Company in the consolidated financial statements of the Group and therefore, the Company and China Nanshan entered into the Chiwan Entrustment Termination Agreement on 5 February 2018 to terminate the Chiwan Entrustment Agreement conditional on the completion of the Share Purchase Agreements. The Chiwan Entrustment Termination Agreement will be implemented from the date of completion of the Share Purchase Agreements.

Principal terms of the Chiwan Entrustment Termination Agreement are set out below.

(a) **Date:**

5 February 2018

(b) **Parties:**

(1) the Company

(2) China Nanshan

(c) **Subject matter:**

Pursuant to the Chiwan Entrustment Termination Agreement, the Company and China Nanshan agreed to terminate the Chiwan Entrustment Agreement and all rights and obligations of the Company and China Nanshan under the Chiwan Entrustment Agreement. The Company will no longer be entitled to exercise the management rights and will no longer have the power to direct the voting rights over Sale Shares C upon the Chiwan Entrustment Termination Agreement being implemented. No consideration is payable by either the Company or China Nanshan under the Chiwan Entrustment Termination Agreement.

(d) **Conditions precedent:**

The Chiwan Entrustment Termination Agreement is conditional on the satisfaction of the following conditions:

(1) the completion of the Share Purchase Agreements; and

(2) the Chiwan Entrustment Termination Agreement being approved by the Independent Shareholders in accordance with the Listing Rules.

None of the conditions precedent is waivable. As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

(e) **Closing:**

The Chiwan Entrustment Termination Agreement will be implemented from the date of completion of the Share Purchase Agreements.

7. **Evaluation of the consideration for the Disposal**

(a) **Comparison of the market prices of the Chiwan Shares**

The consideration for the Sale Shares A and the Sale Shares C of RMB25.47 per A share of Chiwan (the **"Chiwan A Share Consideration"**) represents:

(i) a premium of approximately 5.5% over the closing price of RMB24.14 per Chiwan A Share as quoted on the Shenzhen stock exchange on 17 November 2017 (the **"Last Trading Day"**), being the last trading day on which A shares and B shares of Chiwan were traded on the Shenzhen stock exchange prior to the suspension in trading of A shares and B shares of Chiwan;

(ii) a premium of approximately 4.5% over the average closing price of RMB24.38 per Chiwan A Share as quoted on the Shenzhen stock exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 3.6% over the average closing price of RMB24.58 per Chiwan A Share as quoted on the Shenzhen stock exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;

(iv) at par to the average closing price of RMB25.47 per Chiwan A Share as quoted on the Shenzhen stock exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 4.9% to the average closing price of RMB26.79 per Chiwan A Share as quoted on the Shenzhen stock exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 5.5% over the closing price of RMB24.14 per Chiwan A Share as quoted on the Shenzhen stock exchange on the Latest Practicable Date; and

(vii) a premium of approximately 237.8% over the NAV per Chiwan Share of approximately RMB7.54 based on the NAV attributable to the shareholders of Chiwan of approximately RMB4,864.3 million as at 30 September 2017 divided by 644,763,730 Chiwan Shares in issue as at the Latest Practicable Date.

The consideration for the Sale Shares B of HK$13.35 per B share of Chiwan (the **"Chiwan B Share Consideration"**) represents:

(i) a premium of approximately 2.2% over the closing price of HK$13.06 per Chiwan B Share as quoted on the Shenzhen stock exchange on the Last Trading Day;

(ii) a premium of approximately 0.8% over the average closing price of HK$13.25 per Chiwan B Share as quoted on the Shenzhen stock exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 0.5% over the average closing price of HK$13.28 per Chiwan B Share as quoted on the Shenzhen stock exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;

(iv) at par to the average closing price of HK$13.35 per Chiwan B Share as quoted on the Shenzhen stock exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 3.1% to the average closing price of HK$13.77 per Chiwan B Share as quoted on the Shenzhen stock exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;

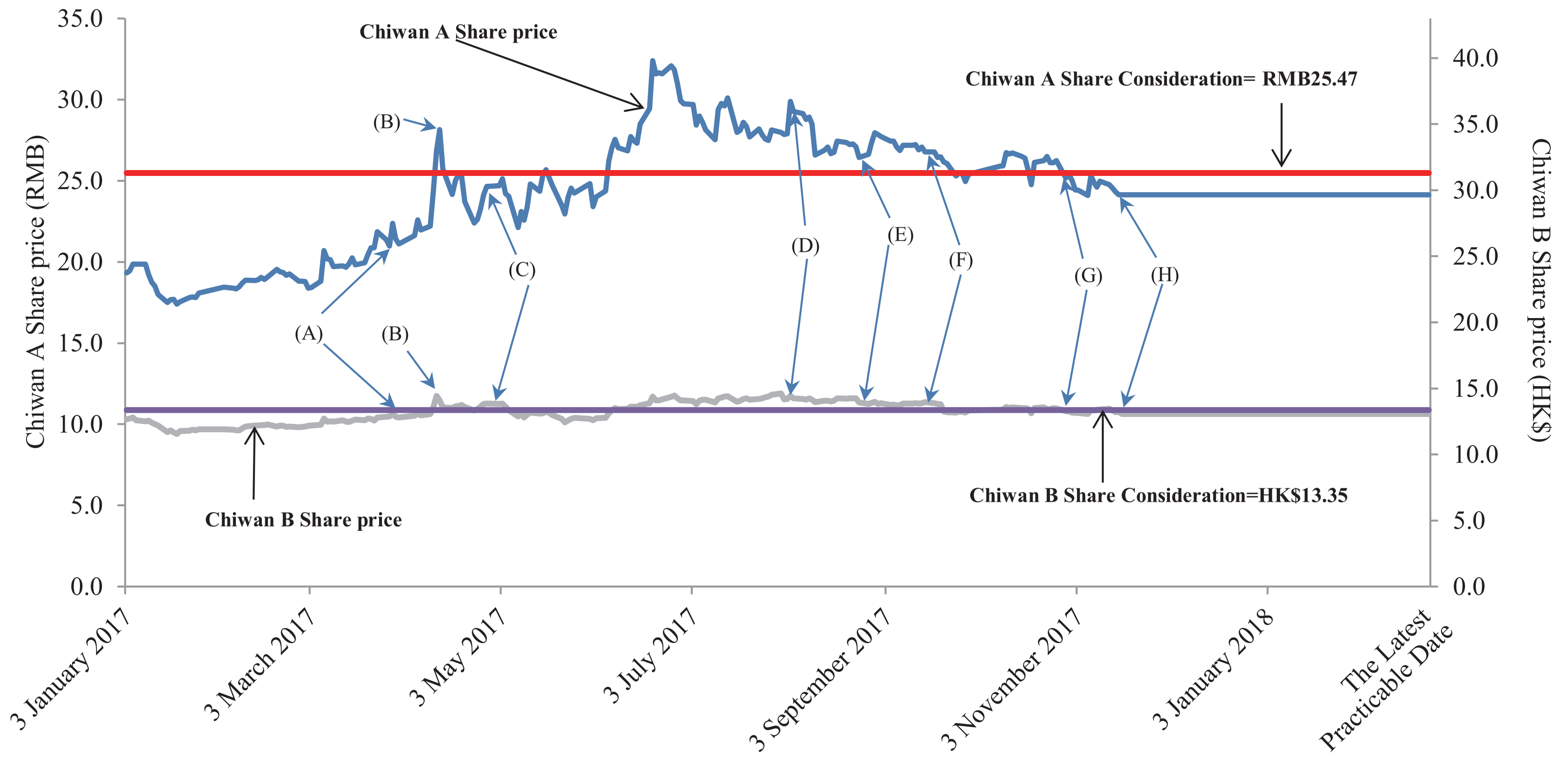
(vi) a premium of approximately 2.2% over the closing price of HK$13.06 per Chiwan B Share as quoted on the Shenzhen stock exchange on the Latest Practicable Date; and

(vii) a premium of approximately 45.1% over the NAV per Chiwan Share of approximately RMB7.54 (equivalent to approximately HK$9.20) based on the NAV attributable to the shareholders of Chiwan of approximately RMB4,864.3 million (equivalent to approximately HK$5,932.1 million) as at 30 September 2017 divided by 644,763,730 Chiwan Shares in issue as at the Latest Practicable Date.

As set out above, the Chiwan A Share Consideration and the Chiwan B Share Consideration are in general at slight premiums over the market prices of the Chiwan A Shares and the Chiwan B Shares prior to the Last Trading Day and significantly higher than the latest NAV per Chiwan Share of approximately RMB7.54.

(b) **Historical price performances of the Chiwan A shares and the Chiwan B Shares**

Set out below are the share price performances of the Chiwan A Shares and the Chiwan B Shares since the beginning of 2017 to the Latest Practicable Date (the **"Review Period"**).



Sources: Bloomberg and the announcements of Chiwan published on the website of the Shenzhen Stock Exchange

As set out in the discussion below, Chiwan announced a number of developments during the Review Period, which we consider to be crucial in shaping the market price of the Chiwan Shares.

Event	Date	Details of the event
(A)	28 March 2017	Announcement of annual results for the year ended 31 December 2016
(B)	13 April 2017	Unusual price movement announcement
(C)	28 April 2017	Announcement of first quarterly results for the three months ended 31 March 2017
(D)	3 August 2017	Resignation of the executive director and chairman of Chiwan
(E)	25 August 2017	Announcement of interim results for the six months ended 30 June 2017
(F)	12 September 2017	Acquisition of 51% equity interest of a transportation company
(G)	30 October 2017	Announcement of third quarterly results for the nine months ended 30 September 2017
(H)	21 November 2017	Suspension in trading of the Chiwan Shares

Since the beginning of 2017, the closing prices of the Chiwan A Share trended upwards and reached RMB28.16 on 13 April 2017, when Chiwan made an unusual price movement announcement for the accumulative upward movement of up to approximately 20% in Chiwan A Share price. Afterwards, the Chiwan A Share prices dropped below the Chiwan A Share Consideration of RMB25.47 until early June 2017. Since then, the share prices rebounded and reached its peak of RMB32.40 per Chiwan A Share on 20 June 2017. The Chiwan A Share price remain above the Chiwan A Share Consideration until late October 2017. Since then, the Chiwan A Share price declined to below the Chiwan A Share Consideration up to the Last Trading Day. During the Review Period and up to the Last Trading Day, the market prices of the Chiwan A Shares ranged from RMB17.40 to RMB32.40 apiece with an average and a median of RMB24.49 and RMB24.18 respectively. Out of a total of 214 trading days, there were approximately 116 trading days when the price of the Chiwan A Shares closed below the Chiwan A Share Consideration.

The Chiwan B Share price followed a similar trend as that of the Chiwan A Shares throughout the Review Period. During the Review Period and up to the Last Trading Day, the market prices of the Chiwan B Shares ranged from HK$11.55 to HK$14.62 apiece with an average and a median of HK$13.28 and HK$13.39 respectively. Out of a total of 214 trading days, there were 105 trading days when the price of the Chiwan B Shares closed below the Chiwan B Share Consideration.

(c) **Liquidity of the Chiwan A Shares and the Chiwan B Shares**

Set out in the table below are (i) the respective monthly total trading volume of the Chiwan A Shares and the Chiwan B Shares; (ii) the respective percentage of such monthly total trading volume to the total issued Chiwan A Shares and Chiwan B Shares; and (iii) the respective percentage of such monthly total trading volume to the public float of the Chiwan A Shares and the Chiwan B Shares during the Review Period.

	Monthly total trading volume of the Chiwan A shares	**Percentage of the monthly total trading volume of the Chiwan A Shares to total issued Chiwan A Shares** *(Note 1)*	**Percentage of the monthly total trading volume of the Chiwan A Shares to Public float** *(Note 2)*	**Monthly total trading volume of the Chiwan B Shares**	**Percentage of the monthly total trading volume of the Chiwan B Shares to total issued Chiwan B Shares** *(Note 3)*	**Percentage of the monthly total trading volume of the Chiwan B Shares to Public float** *(Note 4)*
2017						
January	67,524,743	14.5%	71.6%	2,442,441	1.4%	2.0%
February	56,850,300	12.2%	60.3%	3,028,527	1.7%	2.4%
March	215,806,648	46.4%	228.7%	8,144,588	4.5%	6.6%
April	269,035,292	57.8%	285.2%	11,881,544	6.6%	9.6%
May	189,133,522	40.7%	200.5%	7,962,362	4.4%	6.4%
June	392,258,506	84.3%	415.8%	11,046,936	6.2%	8.9%
July	202,932,727	43.6%	215.1%	6,930,786	3.9%	5.6%
August	168,029,768	36.1%	178.1%	6,131,490	3.4%	4.9%
September	57,469,901	12.4%	60.9%	5,502,626	3.1%	4.4%
October	60,587,524	13.0%	64.2%	3,674,078	2.0%	3.0%
November	33,295,343	7.2%	35.3%	2,673,739	1.5%	2.2%
December	—	0.0%	0.0%	—	0.0%	0.0%
2018						
January	—	0.0%	0.0%	—	0.0%	0.0%
From 1 February to the Latest Practicable Date	—	0.0%	0.0%	—	0.0%	0.0%

Sources: Bloomberg, the Chiwan 2016 Annual Report and Chiwan 2017 Interim Report.

Notes:

1. The calculation is based on the monthly trading volume of the Chiwan A Shares divided by the number of the Chiwan A Shares in issue as shown in the Chiwan 2017 Interim Report, being 465,224,413 Chiwan A Shares.

2. The calculation is based on the monthly trading volume of the Chiwan A Shares divided by the difference between (a) the number of the Chiwan A Shares in issue as set out in note 1 above; and (b) the 370,878,000 Chiwan A Shares held by the Group and China Nanshan.

3. The calculation is based on the monthly trading volume of the Chiwan B Shares divided by the number of the Chiwan B Shares in issue as shown in the Chiwan 2017 Interim Report, being 179,539,317 Chiwan B Shares.

4. The calculation is based on the monthly trading volume of the Chiwan B Shares divided by the difference between (a) the number of the Chiwan B Shares in issue as set out in note 3 above; and (b) the 55,314,208 Chiwan B Shares held by the Group.

The trading of the Chiwan A Shares was generally active during the period under review. The monthly trading volume of the Chiwan A Shares ranged from 12.2% to 84.3% of the total Chiwan A Shares in issue and was in double-digit in all months, except for November 2017 and afterwards due to the suspension in trading of Chiwan Shares since 20 November 2017. In terms of public float, the monthly trading volume of Chiwan A Shares was even much higher and ranged from 60.3% to 415.8% (excluding November 2017 and afterwards). Based on the above, we are of the view that the market prices of the Chiwan A Shares serve as a fair proxy for the intrinsic value of Chiwan from the market perspective over the Review Period.

The trading of the Chiwan B Shares was less active and the monthly trading volume of the Chiwan B Shares ranged from 1.4% to 6.6% of the total issued Chiwan B Shares and 2.0% to 9.6% of the total public float during the Review Period. The lower trading liquidity of the Chiwan B Shares seems reasonable given fewer number of investors in B shares market in the PRC due to tight restrictions to B shares investors and hence general trading activities are less frequent.

In assessing the fairness and reasonableness of Chiwan B Share Consideration, we have reviewed the discounts of the Chiwan B Shares to the Chiwan A Shares from the beginning of 2017 to the Last Trading Day. The average and median discounts of the Chiwan B Shares to the Chiwan A Shares were approximately 52.0% and 54.4% respectively. The Chiwan B Share Consideration of HK$13.35 (equivalent to approximately RMB11.60 using the average exchange rate from 1 January 2017 to the Last Trading Day) represented a discount of approximately 54.5% (the "**Discount**") compared with the Chiwan A Share Consideration. Therefore, the Discount is generally in line with the historical discounts of the Chiwan B Shares to the Chiwan A Shares in last year.

(d) **Comparable Companies**

The Chiwan Group are principally engaged in the provision of port handling, storage, transportation and other ancillary services for containers and bulk cargoes, as well as the provision of tugs boat services, agents and other services in the PRC. In assessing the fairness and reasonableness of the consideration for the Disposal, we compared the P/E Multiples represented by the consideration for the Disposal against the market valuation of companies (i) listed on the Shanghai stock exchange or the Shenzhen stock exchange; (ii) with principal activities of port handling and related services for containers and bulk cargoes in the PRC; and (iii) with the majority of turnover and segment profit derived from such principal activities in the latest financial year (the **"Comparable Companies"**). We consider the Comparable Companies (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the consideration for the Disposal. Details of the Comparable Companies are set out as below:

Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date	P/E Multiple
						(Note 1)
					(RMB million)	*(times)*
Shanghai International Port	600018	Shanghai	Shanghai International Port is principally engaged in port related businesses including container business, bulk cargo business, port-related logistics and port services.	31 December 2017	173,339.1	26.8
Ningbo Zhoushan Port	601018	Shanghai	Ningbo Zhoushan Port is principally engaged in the operation of ports including container loading and unloading, iron ore loading and unloading, crude oil loading and unloading, other cargo loading and loading, and comprehensive logistics.	31 December 2017	71,265.1	31.2
Guangzhou Port Company Limited	601228	Shanghai	Guangzhou Port Company Limited is principally engaged in the provision of cargo handling and logistics services for cargos, such as containers, coals, grains, steels, motor vehicles, metal and ore and oils.	30 September 2017	37,344.9	52.1
Qinhuangdao Port Company Limited ("**Qinhuangdao Port**")	601326	Shanghai	Qinhuangdao Port is principally engaged in the provision of integrated port services. Its integrated port services include stevedoring, stacking, warehousing, transportation and logistics services. It operates Qinhuangdao Port, Caofeidian Port and Huanghua Port.	30 September 2017	26,309.3 *(Note 2)*	32.3
Tangshan Port Group Company Limited (**"Tangshan Port"**)	601000	Shanghai	Tangshan Port is principally engaged in port cargo loading and unloading, transportation, stacking and warehousing and other transportation services. It operates its businesses primarily through loading and unloading, piling and storage, port business management and commodity distribution.	30 September 2017	23,384.6	16.0

Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date	P/E Multiple
						(Note 1)
					(RMB million)	*(times)*
Yingkou Port Liability Company Limited (**"Yingkou Port"**)	600317	Shanghai	Yingkou Port principally provides port cargo loading and unloading services, storage services, as well as transportation services. It operates its businesses primarily in Liaoning province, the PRC.	30 September 2017	20,325.2	36.6
Tianjin Port	600717	Shanghai	Tianjin Port is principally engaged in port related businesses. Its main businesses include the loading and unloading of cargo and sales business.	30 September 2017	17,233.4	16.0
Shenzhen Yan Tian Port Holdings Company Limited	000088	Shenzhen	Shenzhen Yan Tian Port Holdings Company Limited engaged in road transportation business. The Company is mainly engaged in the investment, development and operation of ports, cargo handling and transportation, terminal construction project management, toll road and bridge management and operation, as well as the operation of export cargo supervised warehouses and other port logistics facilities.	31 December 2017	15,013.2	37.6
Beibu Gulf Port Company Limited (**"Beibu Gulf Port"**)	000582	Shenzhen	Beibu Gulf Port is principally engaged in the provision of port services. It operates its businesses through bulk cargo and container handling, stockpiling, tug boat and port management, logistics agent, merchandise trading and cargo transportation, among others.	30 September 2017	12,423.6	24.7
Rizhao Port Company Limited (**"Rizhao Port"**)	600017	Shanghai	Rizhao Port is principally engaged in the operation of terminals and other port facilities, as well as the provision of loading and unloading, storage and other services in port areas.	30 September 2017	11,749.0	42.4

Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date	P/E Multiple
					(RMB million)	*(Note 1)* *(times)*
Xiamen Port Development Company Limited (**"Xiamen Port"**)	000905	Shenzhen	Xiamen Port is principally engaged in the provision of port logistics services, trading services of commodities, as well as the sale of construction materials. Its port logistics services include port operation, tug services, transportation services, cargo handling services, agent services and logistics extended services.	30 September 2017	5,485.2	31.0 *(Note 3)*
Nanjing Port Co., Ltd. ("**Nanjing Port**")	002040	Shenzhen	Nanjing Port is principally engaged in the provision of transportation services. Its main business includes the provision of crude oil, refined oil, liquid chemical products and general cargo handling, warehousing services.	30 September 2017	4,311.0	47.7
Chongqing Gangjiu Company Limited	600279	Shanghai	Chongqing Gangjiu Company Limited is principally engaged in provision of cargo handling services, cargo/passenger transportation services, distribution of commodities, as well as integrated logistics business.	30 September 2017	4,164.7	36.2
					Average	**33.1**
					Median	**32.3**
					Maximum	**52.1**
					Minimum	**16.0**
The Disposal						**30.2** *(Note 4)*

Sources: Bloomberg and the respective Comparable Companies' annual reports, quarterly reports and announcements

Notes:

1. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the trailing twelve-month profit attributable to the shareholders of the Comparable Companies after excluding of non-recurring gains or losses as shown in their respective annual reports, quarterly reports or announcements (if applicable).

2. Qinhuangdao Port has A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange. The amounts of market capitalisation in the table above represent its A Shares (but not H Shares) market capitalisation only.

3. The reported recurring profit attributable to the shareholders of Xiamen Port for the year ended 31 December 2016 excluded a pre-acquisition profit of approximately RMB100.4 million from a subsidiary acquired in 2016. We are of the view that the profit and the economic benefit of the subsidiary will be continuously enjoyed by Xiamen Port in future. Therefore, we have added back such profit in the computation of Xiamen Port's P/E Multiple.

4. The implied P/E Multiple of the Disposal of approximately 30.2 times is calculated based on the Chiwan A Share consideration of approximately RMB25.47 divided by the trailing twelve-month net profit attributable to Chiwan after excluding non-recurring gains or losses of approximately RMB0.8445 per Chiwan Share.

5. We have identified Dalian Port and Jinzhou Port Co. Ltd. ("**Jinzhou Port**") (stock codes in Shanghai stock exchange: 600190 and 900952) which fall into the selection criteria. However, as the P/E Multiple of Dalian Port (in respect of its A shares but not H Shares), and Jinzhou Port are approximately 64.4 times and over 100 times as at Latest Practicable Date respectively, we consider the P/E Multiples of Dalian Port and Jinzhou Port are outliers and therefore excluded them from the Comparable Companies analysis.

The P/E Multiples of the Comparable Companies range from approximately 16.0 times to approximately 52.1 times and have an average and a median of approximately 33.1 times and 32.3 times respectively. The implied P/E Multiple of the Disposal of 30.2 times is slightly lower than both the average and the median of the P/E Multiples of the Comparable Companies.

(e) **Comparable Transactions**

Apart from reviewing the Comparable Companies, we have also reviewed transactions in respect of the sales and purchases of companies principally engaging in port handling and related port services in the PRC, which were profitable as shown in the then latest available financial information (the "**Comparable Transactions**"), announced during the period from January 2017 (i.e. approximately one year before the date of the Share Purchase Agreements) up to the Latest Practicable Date.

We have identified 9 Comparable Transactions based on the aforesaid criteria. We consider the 9 Comparable Transactions (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the consideration for the Disposal. Details of the Comparable Transactions are set out below.

Date of announcement	Purchaser/ Vendor	Acquisition/ Disposal	Subject company	Principal activities of the subject company	Percentage of the relevant subject company acquired/ disposed	Transaction amount	Implied P/E Multiple
						(RMB million)	*(times) (Note 1)*
11 September 2017	The Company	Acquisition	Zhongshan Port & Shipping Enterprise Group	Port investment and operation in Zhongshan, Guangdong Province, the PRC	51.0%	484.5	12.5
25 August 2017	Xiamen International Port Co., Ltd* (stock code in the Stock Exchange: 3378)	Acquisition	Xiamen Port Group Shihushan Terminal Company Limited*	Loading and unloading of bulk cargoes in Dongdu port and Haicang port	49.0%	682.3	13.5 *(Note 2)*
4 August 2017	Dalian Port	Disposal	Dalian Container Terminal Co., Ltd*	Construction, operation and management of container terminals	2.9%	52.1	13.4
4 August 2017	Dalian Port	Disposal	Dalian Port Container Terminal Co., Ltd.*	Port-related services	6.9%	62.1	18.9
3 August 2017	Dalian Port	Acquisition	Dalian Port Container Terminal Co., Ltd.*	Port-related services	20.0%	113.4	11.8
21 July 2017	PYI Corporation Limited (stock code in the Stock Exchange: 498)	Disposal	Nantong Port Group Limited	Port-related services	45.0%	1,613.0	27.6
21 April 2017	Tianjin Port	Disposal	A number of companies *(Note 3)*	Containerised and non-containerised cargo handling	40% to 100% *(Note 3)*	4,119.8	23.8 *(Note 3)*
20 January 2017	COSCO SHIPPING Ports Limited (stock code in Stock Exchange: 1199)	Acquisition	Qingdao Port	Primary operator of port of Qingdao	16.8%	5,798.6	16.5

Date of announcement	Purchaser/ Vendor	Acquisition/ Disposal	Subject company	Principal activities of the subject company	Percentage of the relevant subject company acquired/ disposed	Transaction amount	Implied P/E Multiple
						(RMB million)	*(times) (Note 1)*
20 January 2017	Qingdao Port	Acquisition	Qingdao Qianwan Container Terminal Co., Ltd.	Development and operation of a container terminal in Qingdao city, the PRC	20.0%	3,198.7	10.8
						Average	16.5
						Median	13.5
						Maximum	27.6
						Minimum	10.8
			The Disposal				30.2

Sources: Stock Exchange filings, Mergermarket (http://www.mergermarket.com/) and the respective companies' announcements.

Notes:

1. The P/E Multiples of the Comparable Transactions are calculated based on the actual or implied valuation of the 100% equity interest in the subject company divided by the latest available trailing twelve-month consolidated net profit attributable to the shareholders of the relevant subject company prior to the announcement of the respective Comparable Transactions.

2. Given only financial information of Xiamen Port Group Shihushan Terminal Company Limited* for six months ended 30 June 2017 and the year ended 31 December 2016 are available, the trailing twelve-month profit of the Company is estimated on the basis of the sum of (i) the net profit for the six months ended 30 June 2017; and (ii) 50% of the net profit for the year ended 31 December 2016, for the purpose of the analysis in this table.

3. Tianjin Port disposed of 40% equity interest in Tianjin Port Alliance International Container Terminal Co., Ltd.*, 100% equity interests in Tianjin Port Container Terminal Co., Ltd.* and Tianjin Port No.2 Stevedoring Co., Ltd.*, 51% equity interest in Tianjing Port Haifeng Bonded Logistics Co., Ltd.* and 40% equity interest in Tianjin Port Euroasia International Container Terminal Co., Ltd.* for a total consideration of RMB4,119,763,200. The implied P/E Multiple of the transaction is approximately 23.8 times, which is arrived at dividing the total consideration by the net profit attributable to the respective equity interests of the subject companies.

4. On 4 August 2017, Dalian Port acquired Dalian International Container Terminal Co., Ltd.*, which is principally engaged in construction, operation and management of container terminals. However, the implied P/E Multiple of the acquisition was approximately 74.4 times, which we consider as an outlier and therefore exclude it from the Comparable Transactions analysis.

As illustrated above, the P/E Multiples of the Comparable Transactions range from approximately 10.8 times to 27.6 times and have an average and a median of approximately 16.5 times and 13.5 times respectively. The P/E Multiple of the Disposal of approximately 30.2 times is higher than the P/E Multiples of all Comparable Transactions.

8. **Financial effects of the Disposal on the Group**

(a) **Earnings**

Upon Closing, the Company will no longer have any interest in Chiwan. Chiwan will cease to be a subsidiary of the Company and the financial results of Chiwan will no longer be included in the consolidated statement of profit or loss of the Group. For the year ended 31 December 2016, the consolidated net profit of the Company was approximately HK$5,494 million and the consolidated net profit attributable to shareholders of Chiwan was approximately RMB532.4 million (equivalent to approximately HK$649.3 million).

Furthermore, the Group is expected to record an one-off net gain on the Disposal of approximately HK$3,882.0 million (after deducting the relevant taxes and expenses), which is calculated based on, among other factors, the consideration for the Disposal, the NAV attributable to the shareholders of Chiwan and release of various reserves accumulated in equity as at 30 June 2017, subject to changes in equity attributable to ordinary shareholders of Chiwan in respect of the Chiwan Shares during the period from (and including) 1 July 2017 to (and including) the Closing Date.

Shareholders are reminded that the actual gain to be recognised following Closing shall be determined with reference to various factors such as the consolidated net assets of Chiwan attributable to the shareholders of Chiwan following Closing, which may be different from the abovementioned amount.

(b) **NAV**

Upon Closing, Chiwan will cease to be a subsidiary of the Company. Accordingly, the assets and liabilities of Chiwan will no longer be consolidated into the consolidated statement of financial position of the Company. As 30 June 2017, the consolidated NAV attributable to the equity holders of the Company was approximately HK$69,795.0 million and the consolidated NAV attributable to shareholders of Chiwan was approximately RMB4,671.4 million (equivalent to approximately HK$5,696.8 million).

Upon Closing, the consolidated NAV attributable to the equity holders of the Company will be enhanced by the one-off net gain on the Disposal, which is currently estimated to be approximately HK$3,882.0 million, as discussed in paragraph (a) above.

(c) **Liquidity**

As at 30 June 2017, the Group had cash and bank balances of approximately HK$15,424.0 million and net current assets (i.e. total current assets less total current liabilities) of approximately HK$7,493.0 million. Based on the cash balance of approximately RMB593.5 million (equivalent to approximately HK$723.8 million) and the net current asset position of Chiwan of approximately RMB150.6 million (equivalent to approximately HK$183.7 million) as at 30 June 2017 and given the consideration for the Disposal (in respect of the Sale Shares A and the Sale Shares B only) will be solely satisfied in cash of approximately RMB4,893.0 million (equivalent to approximately HK$5,967.1 million), both the cash and the net current asset positions of the Group are anticipated to improve upon Closing.

(d) **Gearing**

As at 30 June 2017, the Group's gearing ratio, being net interest-bearing debt (i.e. total borrowings of approximately HK$27,094.0 million less cash and cash equivalents of approximately HK$15,424.0 million) divided by total equity (i.e. total equity of approximately HK$78,265.0 million), was approximately 14.9%. Based on the net cash position of Chiwan of approximately RMB320.8 million (equivalent to approximately HK$391.2 million) as at 30 June 2017, the cash consideration for the Disposal of approximately HK$5,967.1 million and the expected net gain on the Disposal (in respect of the Sale Shares A and the Sale Shares B only) of approximately HK$3,882.0 million, it is expected that the Group's gearing ratio will be reduced upon Closing.

9. **Information on the Port of Newcastle and Gold Newcastle**

(a) **Business of the Port of Newcastle**

The Port of Newcastle is the largest port on the east coast of Australia and the world's leading coal export port. The principal business of the companies comprising the Port of Newcastle includes passive property investment, port management including responsibility for vessel scheduling, property management and port development, trade development, dredging and survey, wharf and berth services, maintenance of major port assets, and pricing for associated services. According to the management of the Port of Newcastle, the Port of Newcastle has been serving in commercial shipping for 217 years. Strategically positioned as the gateway to the largest regional economy in New South Wales, with close proximity to Sydney, the Port of Newcastle is the economic and trading centre for the Hunter Valley and much of northern New South Wales and is critical supply chain interface for the movement of cargo. As at the Latest Practicable Date, the Port of Newcastle had 20 operational berths. Over 90% of the cargo volume handled by the Port of Newcastle is coal. The Port of Newcastle also has an approximately 98-year operating right starting from 30 May 2014 for the berths, related railway and toll road and the land use right of approximately 7.92 square kilometers ("**sqkm**") of land, including 2 sqkm of vacant port land available for development. The Port of Newcastle operates 24 hours per day, 365 days per year and handled approximately 168 million tonnes of trade in 2016.

The Port of Newcastle is located in New South Wales state of Australia and next to Hunter Valley coal mine in Australia, where major coal exploitation companies worldwide such as Glencore, Rio Tinto, BHP Billiton had set up its operation. The Port of Newcastle handles approximately 90% of the coal export in the Hunter Valley. Coal exploitation companies have agreed minimum yearly coal export volume with the Port of Newcastle, which ensures stable throughput volume of the Port of Newcastle.

Set out below is a summary of the bulk cargo throughput handled by the ports operated by the Port of Newcastle for the year ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	**2016**	**2015**
Coal volume throughput: (in million tonnes)	159.0	161.4	158.1
Non-coal volume throughput: (in million tonnes)	8.4	6.9	6.2

In terms of bulk cargo throughput, the volume handled by the Port of Newcastle in 2015 and 2016 were more than one-third of that of the Group's ports in worldwide.

Unlike the ports operated by the Group, the Port of Newcastle does not have a labour-intensive operation. As at the Latest Practice Date, the Port of Newcastle had 89 employees. Its revenue mainly derives from (i) the rental income received by sub-leasing the berths to port operators; and (ii) navigation charges and wharfage fees in accordance with the chargable tonnage, number and size of the ship and the actual time usage in berths. The main assets held by the operating companies are the interests in the concurrent lease and concurrent sublease of the Port of Newcastle, including the right to levy rent and to enjoy the right of the Port of Newcastle.

The Port of Newcastle consists of (i) Port of Newcastle Investments (Holdings) Pty Limited; (ii) Port of Newcastle Investments (Property Holdings) Pty Limited; (iii) Port of Newcastle Investments (Holdings) Trust; and (iv) Port of Newcastle Investments (Property Holdings) Trust. The Port of Newcastle, as at the Latest Practicable Date, was owned jointly by CMU and TIF, an independent third party of the Group, on an equal basis. Details of the shareholding structure of the Port of Newcastle are set out in the letter from the Board contained in the Circular.

(b) **Financial information of the Port of Newcastle**

Set out below is a summary of the statement of profit or loss of the Port of Newcastle for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	For the nine months ended 30 September		For the year ended 31 December	
	2017	**2016**	**2016**	**2015**
	(AUD million)	*(AUD million)*	*(AUD million)*	*(AUD million)*
Revenues				
Trade revenues	87.8	81.1	106.1	98.5
Rental income	26.3	25.2	34.0	33.6
Fair value gain on investment properties	—	—	25.1	6.1
Other revenues	2.8	2.1	6.1	6.6
	116.9	108.4	171.3	144.8
Expenses				
Employee benefits	10.3	9.4	13.4	12.6
Operating expenses	26.9	24.8	35.2	35.4
Depreciation and amortisation	18.0	18.4	18.4	18.3
Finance costs	47.8	50.6	72.1	75.6
Other expenses	1.3	2.4	4.7	0.1
	104.3	105.6	143.8	142.0
Profit before taxation	12.6	2.8	27.5	2.8
Profit after taxation	12.6	2.8	29.6	6.0

As shown in the table above, the revenue increased by approximately 18.3% from approximately AUD144.8 million (equivalent to approximately HK$907.9 million) for 2015 to approximately AUD171.3 million (equivalent to approximately HK$1,074.1 million) for 2016. The increase was mainly attributable to the higher fair value gain on investment properties and the increase in trade revenue. The profit before taxation also increased from approximately AUD2.8 million (equivalent to approximately HK$17.6 million) for 2015 to approximately AUD27.5 million (equivalent to approximately HK$172.4 million) for 2016. The significant improvement was mainly attributable to the higher fair value gain on investment properties, the increased trade revenue and the relatively stable expenses. After excluding the non-operating gains or losses (i.e. fair value gain on investment properties and loss on revaluation of plant and equipment), the adjusted net profit for 2016 was approximately AUD8.9 million (equivalent to approximately HK$55.8 million).

For the nine months ended 30 September 2017, the Port of Newcastle recorded a revenue to approximately AUD116.9 million (equivalent to approximately HK$733.0 million), representing an increase of approximately 7.8% compared with that for the corresponding period in 2016 of approximately AUD108.4 million (equivalent to approximately HK$680.0 million). The net profit after taxation also enhanced to approximately AUD12.6 million (equivalent to approximately HK$79.0 million) from that for the corresponding period in 2016 of approximately AUD2.8 million (equivalent to approximately HK$17.6 million). The improvements in revenue and net profit were mainly attributable to the increase in trade revenue. After excluding the non-operating gains or losses and one-off costs (e.g. revaluation loss), the adjusted net profit for the nine months ended 30 September 2017 was approximately AUD14.2 million (equivalent to approximately HK$89.0 million).

Set out below is a summary of statement of financial position of the Port of Newcastle as at 30 September 2017 and 31 December 2016 and 2015.

	As at 30 September	**As at 31 December**	
	2017	**2016**	**2015**
	(AUD million)	*(AUD million)*	*(AUD million)*
ASSETS			
Non-current assets			
Plant and equipment	1,441.4	1,453.8	1,360.0
Investment properties	950.2	950.2	911.7
Others	8.1	4.5	5.9
	2,399.7	2,408.5	2,277.6
Current assets			
Trade and others receivables	5.0	5.9	5.9
Cash and cash equivalents	26.4	25.6	23.5
Others	1.1	1.0	0.4
	32.5	32.5	29.8
Total assets	2,432.2	2,441.0	2,307.4

	As at 30 September 2017 (AUD million)	As at 31 December 2016 (AUD million)	2015 (AUD million)
LIABILITIES			
Current liabilities			
Trade and other payables	3.8	24.1	20.3
Derivative financial instruments	6.4	6.4	6.0
Distribution payable	—	7.4	—
Others	17.1	2.3	2.3
	27.3	40.2	28.6
Non-current liabilities			
Borrowings	1,153.0	1,141.5	1,131.0
Deferred tax liabilities	391.5	394.9	365.4
Others	9.4	9.6	15.6
	1,553.9	1,546.0	1,512.0
Total liabilities	1,581.2	1,586.2	1,540.6
Net current assets / (liabilities)	5.2	(7.7)	1.2
NET ASSETS	851.0	854.8	766.8

As at 30 September 2017, total assets of the Port of Newcastle were approximately AUD2,432.2 million (equivalent to approximately HK$15,250.0 million), representing a slight decrease of approximately 0.4% from that as at 31 December 2016. On the same date, approximately 59.3% of the total assets represented plant and equipment of the Port of Newcastle and approximately 39.1% of the total assets comprised investment properties, which were the land leased out for rental income.

As at 30 September 2017, the borrowings of approximately AUD1,153.0 million (equivalent to approximately HK$7,229.3 million) consisted of external borrowings of AUD828.0 million (equivalent to approximately HK$5,191.6 million), which bore variable interest rates and would be repayable on 30 April 2024, and shareholders' loans in the principal amount of AUD325.0 million (equivalent to approximately HK$2,037.8 million) with prevailing interest rate of 8.0% per annum. As at the Latest Practicable Date, the shareholders' loans were held as to one half by Gold Newcastle and another half by TIF.

NAV attributable to the shareholders of the Port of Newcastle was approximately AUD851.0 million (equivalent to approximately HK$5,335.8 million) as at 30 September 2017.

(c) **Business of Gold Newcastle**

Gold Newcastle is a platform established in Australia by CMU for the sole purpose of holding the PONI Property Holding Units. The principal asset of the PONI Property Holding Units is property and land of the Port of Newcastle. Upon completion of the Acquisition, Gold Newcastle will cease to hold any interest in the PONI Property Holding Units, which will be transferred to a wholly-owned subsidiary of the Company. Accordingly, upon completion of the Acquisition, Gold Newcastle will have no material assets and liabilities.

(d) **Financial information of Gold Newcastle**

	For the year ended 31 December	
	2016	**2015**
	(AUD million)	*(AUD million)*
Profit before taxation	13.9	12.1
Profit after taxation	13.9	12.1

As disclosed in the letter from the Board contained in the Circular, the total assets and the NAV attributable to the security holders of Gold Newcastle amounted to approximately AUD282.6 million (equivalent to approximately HK$1,771.9 million) and AUD282.5 million (equivalent to approximately HK$1,771.3 million) as at 31 December 2016 respectively. The profit of Gold Newcastle was mainly attributable to the share of profit in the interest of PONI Property Holding Units. For the avoidance of doubt, the financial results of PONI Property Holding Units have already been reflected in the financial information of the Port of Newcastle above. As the interest of PONI Property Holding Units will be transferred to a wholly-owned subsidiary of the Company, Gold Newcastle will not share any profit from PONI Property Holding Units upon completion of the Acquisition.

10. **Reasons for and benefits of the Acquisition**

As set out in the letter from the Board contained in the Circular, the principal business of the Group is port and port-related business and the Group is striving to be a world's leading comprehensive port service provider. The Acquisition is in line with the Group's principal business activities and will bring the following benefits: (i) expand global footprint to Oceania; (ii) leverage on land resources to capture development upside; and (iii) provide positive financial return to the Group. Further details of the aforesaid benefits are set out in the section headed "(IV) Reasons for the Acquisition" in the letter from the Board contained in the Circular.

As mentioned in the 2017 Interim Report, the Group has established the concepts of "Port-Park-City" and "Port-Shipping Integration" and the comprehensive port ecosystem, which aim to develop the peripheral land resources by integrating the port facilities at the Group's operation. The Port of Newcastle has land of approximately 7.92 sqkm, which is available for leasing or development. The Acquisition correlates the concept of "Port-Park-City" and allows the Group to take leverage of its experience in operating ports.

Moreover, as China's largest and a global port developer, investor and operator with a ports network in China, South Asia, Africa, Europe and Mediterranean, the Acquisition is a step for the Company to complement its current trading network covered under the Company's port portfolio and expand its footprint to Oceania. The Acquisition allows the Company to expand the Company's global footprints and move towards to be the world's leading comprehensive port service provider.

Having considered the above and the business activities and strategy of the Group, we are of the view that the Acquisition is in line with the Group's stated strategy and represents an expansion of the current ports portfolio of the Group.

11. **Principal terms of the Acquisition Agreement**

(a) **Date**

6 February 2018

(b) **Parties to the Acquisition Agreement**

(i) The Company (as the purchaser)

(ii) CMU (as the seller)

(iii) Gold Newcastle Property as trustee for Gold Newcastle Property Holding Trust (as seller)

(c) **Subject matter**

Pursuant to the Acquisition Agreement, the Company (or any wholly-owned subsidiaries nominated by the Company) agreed to buy and CMU and Gold Newcastle Property agreed to sell the Newcastle Sale Securities and the Gold Newcastle Sale Securities. The Newcastle Sale Securities represent CMU's entire direct and indirect interests in the Port of Newcastle and together, represent 50% of the total interests in the Port of Newcastle. The remaining 50% of the total interest in the Port of Newcastle is held by TIF. The Gold Newcastle Sale Securities represents CMU's entire interest in Gold Newcastle and represent 100% of the total interest in Gold Newcastle.

(d) **Consideration**

The total consideration for the sale and purchase of the Newcastle Sale Securities and Gold Newcastle Sale Securities (including the Newcastle Note) under the Acquisition Agreement is AUD607.5 million (equivalent to approximately HK$3,809.0 million), which comprises AUD445.0 million (equivalent to approximately HK$2,790 million) for the 50% of the total interest of the Port of Newcastle and AUD162.5 million (equivalent to approximately HK$1,018.9 million) for the Newcastle Note, and is subject to adjustment (namely, reduction of the consideration for (i) any "leakage" such as distribution (other than the distribution as contemplated under the paragraph headed "Other key terms" below) and other payments, made to the seller since 1 January 2018; and (ii) any monetary compensation received by the purchaser for any claims under the Acquisition Agreement) (if any) (the **"Newcastle Port Consideration"**).

The Newcastle Port Consideration was determined after arm's length negotiations with reference to (i) the share of 50% of NAV attributable to the security holders of the Port of Newcastle as at 31 December 2016 of AUD427.4 million (equivalent to approximately HK$2,679.8 million) , of which the implied value of 1.04 times to book value; (ii) the historical operational and financial performance of the Port of Newcastle; and (iii) the business prospect of the operation of the Port of Newcastle to the Group. Details of each of the factors above were set out in the paragraph headed "Consideration" under the section headed "3. Acquisition of interest in the Port of Newcastle" in the letter from the Board contained in the Circular.

As disclosed in the letter from the Board contained in the Circular, the original purchase cost was merely one of the factors considered when determining the Newcastle Port Consideration. While the Newcastle Port Consideration of AUD607.5 million represents an approximately 22% premium over the original purchase cost of AUD496.6 million incurred by CMU and Gold Newcastle, the Directors also (i) noted the improved financial performance of Port of Newcastle; and (ii) examined the trading multiples of enterprise value (**"EV"**) to earnings before interest tax, depreciation and amortisation (**"EBITDA"**) (the **"EV/EBITDA Multiple"**) of the original acquisition by CMU and Gold Newcastle and that of the Acquisition and concluded that the EV/EBITDA Multiple of the Acquisition is lower.

The higher price payable by the Group (as compared to the original acquisition cost paid by CMU and Gold Newcastle four years ago) for the same port could be attributable to a number of reasons including, but not limited to, the improved financial performance and the business prospects of the Port of Newcastle. Such higher price does not necessarily imply paying a "premium" over the valuation. Based on the EV/EBITDA Multiples analysis as set out in section headed "12. Evaluation of the Newcastle Port Consideration" in this letter, the Implied EV/EBITDA Multiple of the Newcastle Port Consideration is approximately 19.8 times, which is lower than the implied EV/EBITDA Multiples of the acquisition of the Port of Newcastle by CMU and Gold Newcastle in 2014 of approximately 28.4 times (based on the original purchase cost of AUD496.6 million).

The Newcastle Port Consideration shall be payable in cash to CMU and Gold Newcastle Property on the completion date. The Company shall fund the consideration from its internal resources or, if the Disposal is completed prior to the completion date of the Acquisition, from the proceeds of the Disposal.

Based on the above and together with the analysis on the Newcastle Port Consideration as set out in the section headed "12. Evaluation of the Newcastle Port Consideration" in this letter, we consider the Newcastle Port Consideration to be acceptable.

(e) **Conditions precedent**

The Acquisition Agreement is conditional on the satisfaction of the following conditions:

(i) the obtaining of the written notice that there are no objections by the FIRB under the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("**FATA**") to the acquisition contemplated by the Acquisition Agreement; or the FIRB becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition contemplated by the Acquisition Agreement, whichever first occurs;

(ii) the obtaining of approval of the Acquisition by the Independent Shareholders in accordance with the Listing Rules;

(iii) the obtaining of any other third party consents and approvals that all the parties agree are necessary or desirable in connection with the Acquisition, including any consents or waivers to be obtained by CMU in relation to the Newcastle Notes arising from the Acquisition; and

(iv) the completion of satisfactory due diligence by the Company.

Conditions (1) and (2) are not waivable by any party, condition (3) can only be waived by written consent of each party and condition (4) can only be waived by the Company. As at the Latest Practicable Date, none of the conditions has been satisfied or waived.

If the conditions precedent are not satisfied or waived by 30 September 2018 or become incapable of satisfaction, any party may terminate the Acquisition Agreement.

(f) **Closing**

Closing will take place on the completion date, which is two Business Days after the date on which all the conditions precedent are satisfied or waived or such other date as the parties of the Acquisition Agreement may agree in writing.

(g) **Other key terms**

The Acquisition Agreement contains customary representations, warranties, undertakings and indemnities to transactions of similar nature.

The parties have also agreed that the Company, upon completion of the Acquisition Agreement, will enjoy all the economic benefits of the Port of Newcastle as from 1 January 2018 other than the distribution and other payment to be made in February 2018 by Port of Newcastle to CMU with respect to the financial year ended 31 December 2017.

12. **Evaluation of the Newcastle Port Consideration**

To evaluate the fairness and the reasonableness of the Newcastle Port Consideration of AUD607.5 million (equivalent to approximately HK$3,809.0 million), we have reviewed the market transactions in respect of sales and purchases or entering into of long-term leases of ports specialising in handling bulk cargo in Australia (the "**Comparable Australian Transactions**") announced during the period from January 2010 and up to the Latest Practicable Date. The Australian government has been privatising government assets since 1990s. While it was over 8 years from the beginning of 2010, the inclusion of the Comparable Australian Transactions from 2010 allows us to establish a reasonable and meaningful sample size of sales and purchases or entering into of long-term leases of ports specialising in handling bulk cargo in Australia for our assessment.

We have considered the EV/EBITDA Multiple in assessing the Comparable Australian Transactions. The EV/EBITDA multiple is a commonly used metric in mergers and acquisitions for comparing the value of an underlying operation, which can avoid distortion of taxation and capital structure. Having considered: (i) the Newcastle Port Consideration comprises consideration for the 50% of the total interest in the Port of Newcastle and 50% of the shareholders' loan notes issued by Port of Newcastle Investments Pty Limited; and (ii) the Implied EV/EBITDA Multiples is the only commonly used valuation metric available across the Comparable Australian Transactions, we have adopted the EV/EBITDA Multiples for our assessment.

We have identified 5 Comparable Australian Transactions based on the aforesaid criteria and the details are set out below.

Date of announcement	Port	Purchaser	Enterprise Value *(AUD million)*	Implied EV/ EBITDA Multiple *(times)* *(Note 1)*
19 September 2016	Port of Melbourne Corporation	QIC Limited, Future Fund, Global Infrastructure Partners and OMERS Private Equity Inc.	9,700.0	42.0
13 October 2015	Darwin Port Corporation ("**Darwin Port**")	Shandong Landbridge Group Co., Ltd ("**Landbridge**")	506.0	25.0 *(Note 2)*
30 April 2014	Port of Newcastle	Port of Newcastle Investments jointly owned by CMU and Hastings Funds Management Limited	1,750.0	28.4 *(Note 3)*
28 November 2013	Port of Brisbane Pty Limited	Caisse de Depot et Placement du Quebec	1,000.0 *(Note 4)*	42.6
10 November 2010	Port of Brisbane Pty Limited	Q Port Holdings Consortium	2,100.0	7.0
			Average	29.0
			Median	28.4
			Maximum	42.6
			Minimum	7.0
The Acquisition				**19.8** *(Note 5)*

Sources: Mergermarket (http://www.mergermarket.com/) and the respective government and bidder's press releases

Notes:

1. The Implied EV/EBITDA Multiples of the Comparable Australian Transactions are calculated based on the actual or implied enterprise value of the respective target companies divided by the EBITDA of the target companies prior to the announcement of the respective Comparable Australian Transactions.

2. According to the joint media release by the Chief Minister of Northern Territory Government of Australia and Landbridge, the consideration of AUD506.0 million paid by Landbridge represented approximately 25.0 times of the expected EBITDA of Darwin Port for 2016.

3. The Implied EV/EBITDA Multiple of the Port of Newcastle of approximately 28.4 times was calculated based on the enterprise value of AUD1,750 million divided by the EBITDA of the Port of Newcastle in 2013 of approximately AUD61.6 million.

4. According to Mergermarket, the consideration was not disclosed but it was valued at a minimum consideration of AUD1.0 billion.

5. The Implied EV/EBITDA Multiple of the Acquisition is calculated based on: (i) the implied enterprise value of approximately AUD2,031.2 million; divided by (ii) the trailing twelve-month EBITDA (excluding one-off or revaluation gain or loss) of the Port of Newcastle for the twelve months ended 30 September 2017 of approximately AUD102.7 million. The enterprise value of approximately AUD2,031.2 million is the sum of: (a) the value of 100% equity interest in the Port of Newcastle of approximately AUD890.0 million as implied by the Port of Newcastle Consideration; (b) the shareholder's loan notes issued by Port of Newcastle Investments Pty Limited in the total principal amount of approximately AUD325.0 million; and (c) other interest-bearing debts (including accrued interest) of the Port of Newcastle as at 30 September 2017 of approximately AUD842.6 million, less (d) the cash and cash equivalents held by the Port of Newcastle as at 30 September 2017 of approximately AUD26.4 million;

As illustrated above, the Implied EV/EBITDA Multiples of the Comparable Australian Transactions range from approximately 7.0 times to 42.6 times and have an average and a median of approximately 29.0 times and 28.4 times respectively. The Implied EV/EBITDA Multiple of the Acquisition of approximately 19.8 times is lower than both of the average and the median of the Implied EV/EBITDA Multiples of the Comparable Australian Transactions.

We have also attempted to assess the fairness and reasonableness of the Newcastle Port Consideration by comparing the market valuation of companies principally engage in bulk cargo port handling and related services in Australia. However, we did not identify any listed companies falls within the criteria. We have also considered expanding our review to peer companies listed outside Australia but having considered (i) these peer companies are located in different jurisdictions outside Australia; (ii) these peer companies may subject to various economic, business and regulatory environments; and (iii) the valuations of these peer companies are based on the trading prices at the stock exchanges which represent valuations of equity interests held by minority shareholders (i.e. not a significant percentage of shares), we consider the valuation of these peer companies are less relevant for the assessment of the Newcastle Port Consideration.

On the other hand, the Comparable Australian Transactions are mainly disposals of significant interest in Australian ports specialising in handling bulk cargo originally owned by the Australian government. The determination of terms and pricings of the Comparable Australian Transactions are subject to, among others, the market and therefore we are of the view that such terms and pricings are reflective of the market terms. Having considered the Acquisition has a similar transaction nature (i.e. sale and purchase of a significant block of interest), a comparable principal business (i.e. port specialising in handling bulk cargo) and a geographical proximity (i.e. located in Australia) as compared to those of the Comparable Australian Transactions, we are of the view that the Comparable Australian Transactions are more meaningful for the purpose of our assessment.

13. **Financial effects of the Acquisition on the Group**

(a) **Earnings**

Upon completion of the Acquisition, the Port of Newcastle will become an associate or a joint venture of the Group and the financial results of the Port of Newcastle will be equity accounted for in the consolidated statement of profit or loss of the Group. The earnings of the Group will be enhanced by its share of the profit attributable to the security holders of the Port of Newcastle plus the interest income from the Newcastle Note.

(b) **NAV**

Upon completion of the Acquisition, the investment in the Port of Newcastle will be equity accounted for in the interests in associates or interests in joint ventures in the consolidated statement of financial position of the Group. Based the NAV of the Port of Newcastle attributable to the Group (i.e. 50% of the NAV) of approximately AUD425.5 million (equivalent to approximately HK$2,667.9 million) as at 30 September 2017 and the cash consideration for the 50% of the total interest of the Port of Newcastle of AUD445.0 million (equivalent to approximately HK$2,790.2 million), a goodwill of approximately AUD19.5 million (equivalent to approximately HK$122.3 million), being the difference between the consideration and the NAV of the Port of Newcastle attributable to the Group, would arise. The actual amount of the goodwill will be subject to the NAV of the Port of Newcastle at completion of the Acquisition, which may be different from the estimated amount above. Also, the consideration for the Newcastle Note of approximately AUD162.5 million (approximately HK$1,018.9 million) will be included in the interests in associates or interests in joint ventures in the consolidated statement of financial position of the Group.

Upon completion of the Acquisition, the NAV of the Group will remain unchanged.

(c) **Liquidity**

As at 30 June 2017, the Group had cash and bank balances of approximately HK$15,424 million and net current assets (i.e. total current assets less total current liabilities) of approximately HK$7,493 million. Based on (i) the Newcastle Port Consideration of AUD607.5 million (equivalent to approximately HK$3,809.0 million); (ii) our review of the cashflow forecast of the Group; and (iii) the financial performance and financial position of the Port of Newcastle, it is expected that the Group has sufficient cash and working capital upon completion of the Acquisition.

(d) **Gearing**

As at 30 June 2017, the Group's gearing ratio, being net interest-bearing debt (i.e. total borrowings of approximately HK$27,094 million less cash and cash equivalents of approximately HK$15,424 million) divided by total equity (i.e. total equity of approximately HK$78,265 million), was approximately 14.9%. Given the Newcastle Port Consideration will be settled in cash, it is expected that the Group's gearing ratio will increase upon completion of the Acquisition.

DISCUSSION AND ANALYSIS

In respect of the Disposal

The Group is China's largest and a global port developer, investor and operator, with a ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean. The Group's core business includes primarily investing and operating ports and port-related activities based from a portfolio of assets located at the three economically most active delta regions along China's coast.

Chiwan is a listed subsidiary of the Company and is principally engaged in the ports operations, one of the main businesses of the Group. In particular, the Chiwan Group provides port handling, storage, transportation and other ancillary services for containers and bulk cargoes, as well as tugs boat services, agents and other services in Shenzhen and Dongguan, the PRC. The scale of the Chiwan Group is relatively less as compared to that of the Group. In terms of container throughput and bulk cargo volume handled, the Chiwan Group accounted for not more than 6% of that of Group in recent years. The profit contribution from the Chiwan Group is also not very significant compared to that of the Group. Furthermore, the loss of Chiwan will not significantly affect the Group's ports network as the Group will continue to operate the Shekou Container Terminals at Shenzhen, the PRC. All in all, the Disposal is therefore not expected to be not materially affect the business operations of the Group.

The key reason for the Disposal is to resolve the Competition Issue of Chiwan, in which the Company has undertaken to the CSRC to resolve since 2012. It is expected that there will be possible negative impacts on both Chiwan and the Company if the Company fails to fulfil the Non-Compete Undertaking.

Having considered (i) the honouring of the Non-Compete Undertaking to resolve the Competition Issue; and (ii) the potential impact on the Company if the Company fails to fulfil the Non-Compete Undertaking; (iii) the relatively small operating scale and constrained ports network of the Chiwan Group as compared to that of the Group; (iv) the still challenging outlook of the industry, in particular the expected reduction in port handling fee, that the Chiwan Group operates in; and (v) the limited growth in income contribution of the Chiwan Group in the last few years, the entering into the Share Purchase Agreements and the Chiwan Entrustment Termination Agreement are considered acceptable.

The consideration for the Disposal is agreed with reference to, among other factors, the arithmetic mean of the daily weighted average prices of Chiwan for the 30 trading days prior to the suspension of trading of Chiwan Shares on 20 November 2017. The considerations for the Disposal (assuming no adjustment) in respect of the Company's and China Nanshan's shareholdings in Chiwan are approximately HK$5.75 billion and HK$6.51 billion respectively, which translate to RMB25.47 per Chiwan A Share and HK$13.35 per Chiwan B Share to be disposed of by the sellers. Both the Chiwan A Share Consideration and the Chiwan B Share Consideration are in general at slight premiums over their respective recent market prices before the Last Trading Day and are significantly higher than the NAV per Chiwan Share of approximately RMB7.54 (equivalent to approximately HK$9.20).

The trading of the Chiwan A Shares was generally active during the period under review. The monthly trading volume of Chiwan A Shares was high and ranged from 60.3% to 415.8% of the public float. The market prices of the Chiwan A Shares are considered to be a fair proxy for the intrinsic value of Chiwan from the market perspective over the Review Period. While the trading of the Chiwan B Shares was less active, we note that the Chiwan B Share Consideration represented a discount of approximately 54.5% compared with the Chiwan A Share Consideration, which is generally in line with the historical discounts of the Chiwan B Shares to the Chiwan A Shares in last year.

The P/E Multiples of the Comparable Companies range from approximately 16.0 times to approximately 52.1 times and have an average and a median of approximately 33.1 times and 32.3 times respectively. The implied P/E Multiple of the Disposal of 30.2 times is slightly lower than both the average and the median of the P/E Multiples of the Comparable Companies. The P/E Multiples of the Comparable Transactions range from approximately 10.8 times to 27.6 times and have an average and a median of approximately 16.5 times and 13.5 times respectively. The implied P/E Multiple of the Disposal of approximately 30.2 times is higher than the P/E Multiples of all Comparable Transactions. In generally, the implied P/E Multiple of the Disposal is in line with those of the Comparable Companies and higher than those of the Comparable Transactions. It should be noted that the neither the historical share price (before the suspension of trading in November 2017) nor the historical financials of Chiwan have fully reflected the negative news about the requested reduction in the container handling fee at Chiwan port by the NDRC. Should the impact of the requested fee reduction are fully reflected in the above analysis, the consideration for the Disposal is even more favourable from the Independent Shareholders' point of view.

The financial effects of the Disposal on the Group are expected to be positive. It is expected that there will be a gain on the Disposal and enhancement to the NAV of the Group. Also, both the working capital and gearing of the Group are expected to improve upon Closing as the consideration for the Disposal will be entirely satisfied in cash.

The entering into of the Chiwan Entrustment Termination Agreement, which will cease the Company's entitlement in exercising the management rights and the power to direct the voting right over the Sale Shares C, is considered acceptable because the Group will no longer own any interest, directly or indirectly, in Chiwan upon Closing.

In respect of the Acquisition

The Port of Newcastle is the largest port on the east coast of Australia and the world's leading coal export port. Its principal business includes passive property investment, port management including responsibility for vessel scheduling, property management and port development, trade development, dredging and survey, wharf and berth services, maintenance of major port assets, and pricing for associated services. Over 90% of the cargo volume handled by the Port of Newcastle is coal.

The Group has established the concepts of "Port-Park-City" and "Port-Shipping Integration" and the comprehensive port ecosystem, which aim to develop the peripheral land resources by integrating the port facilities at the Group's operation. The Port of Newcastle has land of approximately 7.92 sqkm, covered which is available for leasing or development. The Acquisition correlates the concept of "Port-Park-City" and allows the Group to take leverage of its experience in operating ports. Moreover, as China's largest and a global port developer, investor and operator with a ports network in China, South Asia, Africa, Europe and Mediterranean, the Acquisition is a step for the Company to complement its current trading network covered under the Company's port portfolio and expand its footprint to Oceania. The Acquisition allows the Company to expand the Company's global footprints and move towards to be the world's leading comprehensive port service provider. The Acquisition is therefore in line with the Group's stated strategy and represents an expansion of the current ports portfolio of the Group.

The Port of Newcastle has delivered reasonable amount of revenue and profits during the period reviewed. Its operations were largely funded by the shareholders' loans, other borrowings and shareholders' equity.

The subject of the Acquisition comprises 50% of the total interest in the Port of Newcastle and the Newcastle Note in principal amount of approximately AUD162.5 million (equivalent to approximately HK$1,018.9 million). The total consideration for the Acquisition is AUD607.5 million (equivalent to approximately HK$3,809.0 million) (subject to adjustment).

While we did not identify any listed companies principally engage in bulk cargo port handling and related services in Australia, we did find a number of transactions in respect of sales and purchases or entering into of long-term leases of ports specialising in handling bulk cargo in Australia in the last few years. The Implied EV/EBITDA Multiples of the Comparable Australian Transactions range from approximately 7.0 times to 42.6 times and have an average and a median of approximately 29.0 times and 28.4 times respectively. The Implied EV/EBITDA Multiple of the Acquisition of approximately 19.8 times is lower than both of the average and the median of the Implied EV/EBITDA Multiples of the Comparable Australian Transactions.

The financial effects of the Acquisition on the Group are mixed. Upon completion of the Acquisition, the Port of Newcastle will become an associate or a joint venture of the Group and the financial results and position of the Port of Newcastle will be equity accounted for in the consolidated financial statements of the Group. The earnings of the Group will be enhanced by its share of the profit attributable to the shareholders of the Port of Newcastle plus the interest income from the Newcastle Note. It is expected there will not be any significant and immediate impact on the NAV of the Group. Although the gearing of the Group is anticipated to increase, the Group still has sufficient cash and working capital after the completion of the Acquisition.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Disposal and the Acquisition have been entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Disposal and the Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal and the Acquisition.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

1 FINANCIAL AND TRADING PROSPECTS

The principal business of the Group is port and port-related business. The Group is striving to be a world's leading comprehensive port service provider. At the same time, the Company will further explore its "PPC" model which aims to operate its core port businesses together with the park development and infrastructure support, thereby achieving a port centred ecosystem with port operations as its core. The Company intends to remain the strong influence or control over the hub locations along coastal China and aims at enriching its global port network by expansion at overseas market.

Whilst the Disposal will result in the Group ceasing to have any interest in Chiwan and accordingly the revenue and profit contribution from Chiwan will no longer be consolidated into the financial statements of the Group, however, the Company does not expect that Disposal will materially adversely impact on the overall operations of the Group as the container throughput and bulk cargo volume handled by the Chiwan Group accounted for no more than 6% of the corresponding operating metrics of the Group for the past two financial years.

Upon completion of the Disposal, the Group will continue to have port and port-related business in West Shenzhen by controlling each of Mega SCT and Media Port. The principal business of Mega SCT and Media Port is container terminal operation whereas the principal businesses of Chiwan are container terminal and bulk cargo terminal operations, however, the existing collaborative operation and efficient berth planning among Mega SCT, Media Port and Chiwan will remain in harmonic environment. Apart from Mega SCT and Media Port, the Company also holds controlling stake in two other port assets in West Shenzhen, namely Haixing Harbour and SCMPS, which provides supporting operations services to Mega SCT, Media Port and Chiwan. The Company is of the view that Chiwan does not compete with any of the other port operations of the Company outside West Shenzhen.

The Acquisition will be the important step for the Group to invest in Oceania, by which the Group will complete its global port network on the world's six continents to enlarge the scale and exposure from overseas. Indeed, the Group's greenfield projects and the other newly acquired projects at overseas market provide the Group with important profit drivers, enlarged global port network and potentials in port and park development in the region, such as TCP in Brazil and the Port of Hambantota in Sri Lanka.

2 WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities, the available facilities of other debt financing instruments, and other financial resources available to the Group and the effect of the Share Purchase Agreements and the Acquisition Agreement, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months following the date of this circular.

3 INDEBTEDNESS

For the purpose of this indebtedness statement as at 31 December 2017, the exchange rate of HK$1.00 to RMB0.84, AUD1.00 to HK$6.09, EUR1.00 to HK$9.33 and USD1.00 to HK$7.82 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, or may be exchanged at the above rate or at any other rates or at all.

(I) BORROWINGS

At the close of business on 31 December 2017, being the latest practicable date of this indebtedness statement prior to the printing of this circular, the Group had borrowings as follows:

	HK$ million
Bank loans, secured and guaranteed	4,164
Bank loans, secured and unguaranteed	120
Bank loans, unsecured and unguaranteed	1,485
Bank loans, unsecured and guaranteed	4,978
Listed notes, unsecured and guaranteed (principal amount of approximately HK$10,944 million)	10,885
Unlisted notes, unsecured and unguaranteed (principal amount of approximately HK$3,767 million)	3,767
Loans from an intermediate holding company, unsecured and unguaranteed	179
Loans from a fellow subsidiary of the Company, unsecured and unguaranteed	2,261
Loans from an associate of the Company, unsecured and unguaranteed	276
Loans from a non-controlling equity holder of a subsidiary, unsecured and unguaranteed	445
Amounts due to fellow subsidiaries, unsecured and unguaranteed	193
	28,753‘

The secured bank loans were secured by certain property, plant and equipment, land use right and the entire shareholdings in two subsidiaries owned by the Company and its subsidiary.

(II) CONTINGENT LIABILITIES

At the close of business on 31 December 2017, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$131 million arising from the above loan facilities and other obligations. In addition to above, the Group also provides guarantees for banking facility granted to and other obligations borne by associate of the Group. The total amount guaranteed by the Group is HK$391 million and the aggregate amount utilised by the relevant associate amounted to HK$64 million as at 31 December 2017.

The Directors assessed the risk of default of the associate in serving the aforesaid loan facilities and other obligations at 31 December 2017 and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed.

(III) AUTHORISED OR CREATED BUT UNISSUED DEBT FINANCING INSTRUMENTS

As at 31 December 2017, the Company and Chiwan had authorised or created but unissued debt financing instruments at gross amount of RMB7,500 million and RMB1,700 million (equivalent to HK$8,972 million and HK$2,034 million), respectively. The debt financing instruments, upon issued, are unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at 31 December 2017, the Group did not have any other material loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2016, being the date to which the last published audited consolidated accounts of the Group were made up.

1 RESPONSIBILITY STATEMENT

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

2 DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required 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 in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) **Interest in shares**

Name of Director	Number of shares	Percentage of issued shares
Mr. LEE Yip Wah Peter	199,119 (Long position)	0.0061%
Mr. LI Kwok Heem John	1,876,102 (Long position)	0.0572%
Mr. WANG Hong	367,276 (Long position)	0.0112%
Total	2,442,497 (Long position)	0.0745%

(ii) **Share Option Scheme**

Nil

Other than the interest in shares as set out above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

(iii) **Executive Positions**

Nil

None of the Directors is a director or employee of a company which has, or is deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3 LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

4 SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5 COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business and there is no contract or arrangement subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the Group's business.

6 OTHER INTEREST

As at the Latest Practicable Date, none of the Directors nor any expert named in the paragraph headed "Qualification and Consent of Expert" in this appendix had any direct or indirect interest in any assets which had been, since 31 December 2016, being the date to which the latest published audited accounts 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.

7 QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualification
Somerley Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Acquisition

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

The expert named above did not have 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.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8 MATERIAL CONTRACTS

The following contracts are all the material contracts (not being entered into in the ordinary course of business of the Group) entered into by members of the Group, within the two years preceding the Latest Practicable Date:

(i) Share Purchase Agreement A;

(ii) Share Purchase Agreement B;

(iii) the share purchase agreement dated 7 April 2017 entered into by the Company and China Merchants Industry Holdings Company Limited in relation to the disposal of the Company's entire interest in Soares Limited, a wholly-owned subsidiary of the Company. The principal asset of Soares Limited is its indirect interest in the 730,557,217 H shares of CIMC, representing approximately 24.53% of the total issued share capital of CIMC as at 31 December 2016 and the entire indirect interest of the Company in CIMC. The total consideration under the share purchase agreement is HK$8,542,964,799;

(iv) the equity transfer agreement dated 14 October 2016 entered into by China Merchants Port Development (Shenzhen) Company Limited, China Merchants Shekou Industrial Zone Holdings Company Limited, Shenzhen China Merchants Venture Company Limited, Shenzhen Qianhai Pingfangyuanqu Development Company Limited and Shenzhen China Merchants Qianhaiwan Property Company Limited in relation to the sale and purchase of the entire equity interest of Shenzhen China Merchants Qianhaiwan Property Company Limited. Pursuant to the equity transfer agreement, China Merchants Port Development (Shenzhen) Company Limited agreed to acquire 49% and 51% of the equity interest in Shenzhen China Merchants Qianhaiwan Property Company from Shenzhen China Merchants Venture Company Limited and Shenzhen Qianhai Pingfangyuanqu Development Company Limited, respectively. The total consideration for the acquisition of the equity interest in Shenzhen China Merchants Qianhaiwan Property Company payable by China Merchants Port Development (Shenzhen) Company Limited under the equity transfer agreement is RMB2,528,472,800 (equivalent to approximately HK$2,936,669,918.70); and

(v) the land use rights confirmation contract dated 14 October 2016 entered into by Shekou Container Terminals Limited and China Merchants Shekou Industrial Zone Holdings Company Limited in relation to the sale and purchase of the parcel of land situated at Jetty III Shekou Container Terminal. The consideration for the acquisition of the land use rights of the Jetty III Land payable by Shekou Container Terminals Limited under the land use rights confirmation contract is RMB552,287,800 (equivalent to approximately HK$641,449,245.06).

9 MISCELLANEOUS

(i) The company secretary of the Company is Mr. Leung Chong Shun who is a practicing solicitor in Hong Kong.

(ii) The registered office of the Company is at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(iii) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(iv) The English text of this circular shall prevail over the Chinese text.

10 DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Linklaters, 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day from the date of this circular up to and including 16 March 2018:

(i) the articles of association of the Company;

(ii) the annual reports of the Company for each of the financial years ended 31 December 2015 and 31 December 2016;

(iii) the interim reports of the Company for each of the six months ended 30 June 2016 and 30 June 2017;

(iv) the Share Purchase Agreements;

(v) the Chiwan Entrustment Agreement;

(vi) the Chiwan Entrustment Termination Agreement;

(vii) the Acquisition Agreement;

(viii) the Mega SCT Entrustment Agreement;

(ix) the Media Port Supplemental Shareholders Agreement;

(x) the Media Port Second Supplemental Shareholders Agreement;

(xi) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 36 to 37 of this circular;

(xii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 38 to 88 of this circular;

(xiii) the written consent from the expert referred to under the paragraph "Qualification and Consent of Expert" in this appendix;

(xiv) the contracts referred to under the paragraph "Material Contracts" in this appendix; and

(xv) a copy of this circular.

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Merchants Port Holdings Company Limited (the "**Company**") will be held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m., on 19 March 2018 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the share purchase agreement (the "**Share Purchase Agreement A**") dated 5 February 2018 entered into between China Merchants Gangtong Development (Shenzhen) Co., Ltd.* (招商局港通發展(深圳)有限公司) as purchaser and Shenzhen Malai Storage Company Limited (碼來倉儲(深圳)有限公司) as vendor in relation to the sale and purchase of the 161,190,933 ordinary A shares of Shenzhen Chiwan Wharf Holdings Limited (深圳赤灣港航股份有限公司) ("**Chiwan**") (the "**Sale Shares A**") (a copy of which is produced to the meeting marked "A" and initialled by the chairman of this meeting for the purpose of identification) be and is hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Share Purchase Agreement A and any of the transactions contemplated thereunder."

2. "**THAT** the share purchase agreement (the "**Share Purchase Agreement B**") dated 5 February 2018 entered into between Broadford Global Limited (布羅德福國際有限公司) as purchaser and Keen Field Enterprises Limited (景鋒企業有限公司) as vendor in relation to the sale and purchase of the 55,314,208 ordinary B shares of Chiwan (the "**Sale Shares B**") (a copy of which is produced to the meeting marked "B" and initialled by the chairman of this meeting for the purpose of identification) be and is hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Share Purchase Agreement B and any of the transactions contemplated thereunder."

* *For identification purpose only*

3. "**THAT** the share purchase agreement (the "**Share Purchase Agreement C**", together with Share Purchase Agreement A and Share Purchase Agreement B, the "**Share Purchase Agreements**") dated 5 February 2018 entered into between China Merchants Gangtong Development (Shenzhen) Co., Ltd.* (招商局港通發展(深圳)有限公司) as purchaser and China Nanshan Development (Group) Incorporation (中國南山開發(集團)股份有限公司) ("**China Nanshan**") as vendor in relation to the sale and purchase of the 209,687,067 ordinary A shares of Chiwan (the "**Sale Shares C**") (a copy of which is produced to the meeting marked "C" and initialled by the chairman of this meeting for the purpose of identification) be and is hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Share Purchase Agreement C and any of the transactions contemplated thereunder."

4. "**THAT** the termination agreement (the "**Termination Agreement**") dated 5 February 2018 entered between the Company and China Nanshan Development (Group) Incorporation* (中國南山開發(集團)股份有限公司) in relation to the termination of the entrustment agreement dated 17 September 2012 entered into between the Company and China Nanshan, under which China Nanshan granted to the Company management rights and the power to direct the voting right over the Sale Shares B, conditional upon the completion of the Share Purchase Agreements (a copy of which is produced to the meeting marked "D" and initialled by the chairman of this meeting for the purpose of identification) be and is hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Termination Agreement and any of the transactions contemplated thereunder."

5. "**THAT** the sale and purchase agreement (the "**Acquisition Agreement**") dated 6 February 2018 entered into between China Merchants Union (BVI) Limited, Gold Newcastle Property Holding Pty Limited and the Company in relation to the shareholders' loan notes with a principal amount of AUD162.5 million issued by Port of Newcastle Investments Pty Limited to China Merchants Union (BVI) Limited on 29 May 2014, 50 ordinary shares in Port of Newcastle Investments (Holdings) Pty Limited, 59,043,505 units in Port of Newcastle Investments (Holdings) Trust, 275,051,202 units in Port of Newcastle Investments (Property Holdings) Trust, 50 ordinary shares in Port of Newcastle Investments (Property Holdings) Pty Limited, 10 ordinary shares of Gold Newcastle Property Holding Pty Limited and 275,051,162 units in Gold Newcastle Property Holding Trust (a copy of which is produced to the meeting marked "E" and initialled by the chairman of this meeting for the purpose of identification) be and are hereby generally and

unconditionally approved; and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Acquisition Agreement and any of the transactions contemplated thereunder."

By Order of the Board of
China Merchants Port Holdings Company Limited
Hu Jianhua
Vice Chairman

Hong Kong, 1 March 2018

Registered Office:
38th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened pursuant to the above notice is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.

3. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 14 March 2018 to 19 March 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 13 March 2018.

4. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the extraordinary general meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The Chairman of the Meeting will therefore demand a poll for the resolutions put to the vote at the extraordinary general meeting pursuant to Article 54 of the Articles of Association of the Company.

5. As at the date of this circular, the Board comprises 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.