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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)

DISCLOSEABLE TRANSACTION

FURTHER ANNOUNCEMENT IN RELATION TO ACQUISITION OF VAST IN BRAZIL

Reference is made to the announcement made by China Merchants Port Holdings Company Limited (the "**Company**", and together with its subsidiaries, the "**Group**") dated 28 February 2025 (the "**Announcement**") in relation to the Group's conditional acquisition of 70% interest in Vast. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as given to them in the Announcement.

As disclosed in the Announcement, the Consideration and payment terms for the Transaction were determined on an arm's length basis and are on normal commercial terms following negotiation between the Buyer and the Sellers after taking into account, among others, the valuation of the entire equity interest of Vast ("**Valuation**") as at 31 December 2023 (the "**Valuation Benchmark Date**") by the Valuer. Since the Valuation was arrived at using the discounted cash flow method under the income approach, the Valuation constitutes a profit forecast for the purposes of Rule 14.61 of the Listing Rules. Further information in relation to the Valuation as required by Rule 14.60A of the Listing Rules is set out below.

CONSIDERATION

As disclosed in the Announcement, the Consideration consists of (i) the Purchase Price; (ii) the Milestone Payments; and (iii) the Earn Out Payment.

Purchase Price and the Adjustment Mechanism

The Purchase Price of USD448 million, being 70% of the lower end value of the Valuation (i.e. USD640 million), is subject to upward or downward adjustments based on the actual balances of cash, outstanding debt, customary debt-like liabilities, and working capital of Vast as at the Closing Date. The adjustment mechanism to the Purchase Price enables the final Purchase Price to reflect the financial position of Vast as of the Closing Date.

Prior to Closing, the Sellers are required to deliver an estimate closing statement of the cash, indebtedness, debt-like items, and net working capital amount of Vast as of the Closing Date which is prepared in accordance with the agreed accounting principles to the Buyer. Following Closing, the Buyer is required to prepare and deliver to the Sellers an audited consolidated balance sheet of Vast as of Closing Date prepared in accordance with the agreed accounting principles, along with the calculation of the final Purchase Price. The final Purchase Price shall be reviewed by and agreed upon between the Sellers and the Buyer. If there is any dispute regarding the final Purchase Price and it remains unresolved, it can be referred to an independent accountant. The determination of the Purchase Price by the independent accountant is final and binding.

Milestone Payments

The Milestone Payments are to incentivise the expansion of Vast's operational capacity, which is crucial for the further increase of handling volume and therefore the performance of Vast. The milestones are structured in four tranches, including obtaining the relevant permit allowing vessels of different sizes to have continuous access to Vast and the relevant governmental and regulatory approvals and licenses that eventually allow Vast to have a licensed capacity of 1.8 million barrels per day by the end of 2027.

The respective amounts of the Milestone Payments were negotiated and determined to reflect the importance and difficulty of achieving these milestones, as well as the potential value each milestone brings to Vast's operations and overall business growth. Accordingly, each tranche of the Milestone Payments will not be payable by the Buyer unless the agreed requisite conditions are met. Failure to achieve any of the milestones will not affect the licenses and approvals that Vast currently possesses for its operation of the onshore crude oil transshipment terminal business with a capacity of 1.2 million barrels per day.

Upon achieving all the milestones by 31 December 2027, Vast will have a licensed capacity of 1.8 million barrels per day, representing a 50% increase compared to its current licensed capacity of 1.2 million barrels per day. The Board considers the Milestone Payments of US$56 million, representing approximately 12% of the initial Purchase Price of US$448 million (before any adjustment), to be fair and reasonable.

Earn Out Payment

The Earn Out Payment is designed to motivate the Sellers to contribute to the sustained growth of Vast's business. This payment is contingent upon Vast achieving an accumulated EBITDA of at least US$1,269 million over the five financial years ending on 31 December 2029 (the "**EBITDA Target**"). Should the actual accumulated EBITDA for this period fall short of US$1,269 million, no Earn Out Payment will be paid. The EBITDA Target was proposed by the Sellers and set over a reasonable long period of time to discourage short-term gains and represents a substantial growth to promote business development.

For the financial year ended 31 December 2023, Vast recorded an EBITDA of US$103 million. The EBITDA Target of US$1,269 million represents a substantial growth compared to Vast's 2023 EBITDA, underscoring the ambitious nature of the target. The Earn Out Payment, which is contingent upon achieving the EBITDA Target, offers significant benefits for the Company. It provides a business downside protection for the Buyer, ensuring that payment is aligned with Vast's performance, and simultaneously presents a business upside opportunity for Vast to achieve key financial milestones.

The Buyer is prepared to offer a higher amount of consideration if Vast achieves this significant growth over the five-year period, which justifies the inclusion of the Earn Out Payment. The Sellers are confident in Vast's ability to meet the EBITDA Target. To further incentivise the Sellers to surpass expectations, the parties have agreed to a higher Earn Out Payment of USD91 million if Vast exceeds the EBITDA Target by 20%, reaching an EBITDA of US$1,522.8 million.

Considering these factors, the Board believes that the Earn Out Payment and its terms are fair and reasonable and in the best interest of the Company and its Shareholders as a whole. This arrangement not only reduces the upfront payment but also maintains a strong incentive for the Sellers to drive the long-term growth of Vast's business.

FURTHER INFORMATION ON THE SELLERS

Prumo and API are ultimately controlled by EIG. EIG is a leading institutional investor in the global energy and infrastructure sectors. EIG holds its investment in Prumo and API through various investment vehicles, each of which is ultimately controlled by Mr R. Blair Thomas and Mr Randall S. Wade.

THE VALUATION

The Valuer issued the valuation report (the "**Valuation Report**") on 28 December 2024. According to the Valuation Report, after conducting the evaluation procedures, including data collection, evaluation and estimation, the Valuer concluded that the Valuation as at the Valuation Benchmark Date to be in the range from USD640 million to USD813 million.

Valuation methodology

According to the Valuation Report, the Valuer has considered commonly adopted valuation approaches in the market (namely asset-based approach, market approach and income approach) for the purpose of determining the market value of the entire shareholders' equity interest in Vast as at the Valuation Benchmark Date.

Given the Company does not have control over Vast, is constrained by geographical conditions and limited access to information and that the future earning potential of Vast could not be captured, the asset-based approach of valuation has not been adopted.

While there are numerous international and Brazilian listed companies engaged in the port and maritime business, there are limited listed companies with comparable and similar businesses to Vast. Although some comparable transaction cases can be found in the open market, the financial data and background information of the subjects of these transactions are difficult to obtain. Therefore, the market approach has not been adopted in the Valuation.

Since Vast has independent profitability, its future earnings can be clearly predicted, and the risks associated with these earnings can be quantified, the Valuer considered that the conditions for using the income approach for valuation are met.

Inputs of the Valuation

The Valuation is the sum of (A) the value of the operating assets, being in the range from USD1,104 million to USD1,278 million; and (B) surplus assets, being USD18.73 million and non-operating assets, being USD754 million; minus (C) non-operating liabilities, being USD51.93 million and (D) interest-bearing debt, being USD1,186 million as of 31 December 2023.

The value of the operating assets was projected based on the free cash flow forecast and a discount rate for the period from 31 December 2023 to 31 December 2050 ("**Relevant Period**").

Free cash flow forecast

The free cash flow was prepared for the Relevant Period, which was calculated based on the following items. The Valuer also adopted certain key financial assumptions and inputs as detailed below:

(1) Operating revenue: net revenue is entirely generated from crude oil transshipment volume and the handling fee of those volume. The volume of transshipment will grow rapidly in the first five years, reaching a peak of 500 million barrels in 2030, and then will slowly decline to around 300 million barrels. The handling fee is adjusted annually by the US Producer Price Index. Operating revenue is after taxes related to crude oil transshipment (i.e. Municipal Service Tax (ISS Service Tax) and Social Contribution on Billing/Contribution to the Social Integration Program (PIS/COFINS)). Considering various factors, including Vast's operating revenue at a compound annual growth rate of 33.9% for the financial years of 2020 to 2023, the terminal capacity, the actual transshipment volume of Vast, the current contracts and operation of Vast and the oil production capacity of Brazil, the Valuation is projected based on two scenarios. A base case is projected by the Valuer with a projected operating revenue of Vast for 2024 at US$184.4 million and a compound annual growth rate of 2.4% for the financial years of 2024 to 2050. A further positive case is projected by the Valuer with a projected operating revenue of Vast for 2024 at US$186.2 million and a compound annual growth rate of 3.3% for the financial years of 2024 to 2050;

(2) Operating costs: operating costs consist of variable costs such as pilotage services, port charges, and tugboat fees and fixed costs including depreciation and amortization, operation and maintenance expenditures and other fixed costs. Different items of operating costs are adjusted by Brazil's Extended National Consumer Price Index ("**IPCA**") and the US Consumer Price Index according to its different natures. Depreciation and amortization in operating costs and administrative expenses are forecasted based on the size and amortization period of existing and future fixed assets and intangible assets;

(3) Management costs: management costs include salaries and social security, third-party services, depreciation and amortization and allocated shared costs. The Valuation assumes that the total management costs will increase due to expansion of the operational capacity during the Relevant Period;

(4) Financial costs: financial costs include interest and issuance fees related to bonds and exchange gains and losses. Financial costs during the Relevant Period are forecasted based on current loan arrangements and loans expected to be taken out;

(5) Corporate income tax and social contribution tax: the Valuation assumes that during the Relevant Period: (i) Vast's corporate income tax rate is 34%; (ii) while losses can be carried forward indefinitely, losses can only be deducted up to 30% of the taxpayer's taxable profit for the year; and (iii) recoverable income tax and social contribution tax arising from operations can be offset against income tax and social contribution tax payable at the end of each year;

(6) Capital expenditure: the Valuation assumes an annual maintenance capital expenditure of USD3 million and channel maintenance expenditure of USD5 million every two years. The Valuation further takes into account channel widening expenditures in the years of 2026 and 2027 totaling USD51.20 million. All expenditures are adjusted by IPCA, with a depreciation period of 10 years; and

(7) Working capital: the projection of working capital is based on factors including minimum required holdings of cash, accounts receivable, tax recoverable, accounts payable, tax payable, employee benefits payable, etc., and is forecasted based on the assumed turnover days or turnover rates of accounts receivable, tax recoverable, accounts payable, and tax payable.

The Valuer did not consider any expansion project of tank field and new terminal construction.

Discount rate

The weighted average cost of capital (WACC) model was adopted to determine the discount rate used in the Valuation, which was calculated with reference to costs of equity capital costs, after-tax cost of debt, risk-free rate of return, market risk premium, risk coefficient of Vast, market value of equity capital and market value of interest-bearing debts which vary during the Relevant Period. The discount rate was assessed to be in the range of 8.83% to 10% during the Relevant Period.

General and Specific Assumptions

The Valuation was based on the following general assumptions:

(1) Transaction assumption: it is assumed that all subjects to be appraised are already in the transaction process and the Valuer makes estimations in a simulated market according to the transaction conditions of the assets being appraised.

(2) Open market assumption: an open market is a competitive market with fully developed and sound market conditions and willing buyers and sellers, in which the buyers and the sellers have equal standing and are provided with the opportunity and time to obtain sufficient market information and conduct transaction behaviours in a willing and rational state without compulsion or restrictions. Appraisal assets can be traded openly in the market and unreasonable offers by special buyers for the appraisal assets are not considered.

(3) Enterprise going-concern assumption: it is assumed that the business of Vast will continue to operate in the future.

(4) Asset going-concern assumption: it is assumed that the subject assets will continue to be used as per its current purpose and manner after Closing.

The Valuation was based on the following specific assumptions:

(1) It is assumed that there are no material changes of relevant laws, regulations and policies, macroeconomic situation of the jurisdiction where Vast is located; there are no material changes to the politics, economy and social environments of the regions where the parties to the Transaction are located.

(2) It is assumed that the management of Vast is responsible, and capable of assuming their positions.

(3) Unless otherwise specified, it is assumed that Vast fully complies with all relevant laws and regulations.

(4) It is assumed that the accounting policies adopted by Vast after the Valuation Benchmark Date are consistent in all material respects with the accounting policies adopted at the time of preparation of the Valuation Report.

(5) It is assumed that on the basis of Vast's existing management methods and management levels, the business scope and methods are consistent with the current situation.

(6) There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-related charges.

(7) There are no force majeure or unexpected conditions that might adversely affect Vast.

Reconciliation between Book Value and Valuation

The book value of the total shareholders' equity (deficit) of Vast is USD130 million, and there is an appreciation amount with the Valuation of approximately USD770 million to USD943 million, which is mainly due to the following reasons:

(1) Strategic port location: It is difficult to construct terminals which can receive VLCCs (Very Large Crude Carriers) along the eastern coast of Brazil due to geographical restriction. Other regional competitors will not pose a significant threat to Port of Açu's superior position.

(2) Increasing profit margins: In the years of 2021, 2022 and 2023, the gross profit margins of Vast were 45%, 47%, and 51%, respectively, showing a steady upward trend. With the increase in business scale in the future, gross profit margins might further increase.

(3) Diverse client base: Vast's clients include Shell, Petrobras, PetroChina and CNOOC. These clients have strong resources and stable operations, which are conducive to relatively stable income.

(4) Experienced management team: The management team of Vast consists of professionals with many years of experience in port management. Their rich port management experience is conducive to improving port operating efficiency and controlling operational risks.

(5) Low book value of Vast: The book value of Vast is mainly based on its historical cost. After a reverse acquisition of its shareholder and multiple capital reductions, the shareholders' equity was reduced.

Review by Reporting Accountants and the Board

The Reporting Accountants have been engaged to report on the calculation of the discounted cash flows used in the Valuation Report prepared by the Valuer. The Reporting Accountants have reported that so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out in the Valuation Report.

The Valuer is a professional and qualified valuer in the PRC registered with the Beijing Municipal Bureau of Finance (北京市財政局) and is experienced in valuation exercises in relation to acquisition, disposition, and financing transactions. The Board has examined the Valuer's registration with the relevant authority.

The Board has reviewed the key assumptions in the Valuation Report. After due and careful consideration and having also arranged for independent due diligence to be conducted on Vast including through enquiries to the management of Vast, obtaining financial and operation data from the Sellers, analysing Vast's historical information, market risks and operations etc. and on site visit of Vast, the Board is satisfied that the financial, general and specific assumptions adopted in the Valuation Report in relation to Vast are fair and reasonable.

Taking into account the methodology, assumptions and valuation procedures adopted in the Valuation Report, the sufficient qualification, professional team and the independence of the Valuer, and the competence of the Valuer to provide professional valuation services, the Board has confirmed that the profit forecast as set out in the Valuation Report has been made after due and careful enquiry.

The text of the report issued by the Reporting Accountants in relation to the calculations of the discounted cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules and the letter from the Board in compliance with Rule 14.60A(3) of the Listing Rules is included in Appendix II to this announcement.

Experts and consents

The qualifications of the experts who have given their opinion and advice included in this announcement are as follows:

Name	**Qualification**
KPMG	Certified Public Accountants, Hong Kong
Zhongtongcheng Asset Appraisal Co., Ltd.* (中通誠資產評估有限公司)	Independent valuer

As at the date of this announcement, each of the above experts does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of the above experts is a third party independent of the Company and the connected persons of the Company.

Each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its letters, reports and/or opinions and all references to its name in the form and context in which they respectively appear.

* *For identification purpose only*

By Order of the Board
China Merchants Port Holdings Company Limited
Feng Boming
Chairman

Hong Kong, 18 March 2025

As at the date of this announcement, the Board comprises Mr. Feng Boming (Chairman) and Mr. Yim Kong as Non-Executive Directors; Mr. Xu Song, Mr. Lu Yongxin and Mr. Tu Xiaoping as Executive Directors; and Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly, Mr. Li Ka Fai David, Mr. Wong Chi Wing and Ms. Wong Pui Wah as Independent Non-Executive Directors.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF VAST INFRAESTRUTURA S.A.

TO THE BOARD OF DIRECTORS OF CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

We refer to the discounted future cash flows on which the business valuation ("**the Valuation**") dated 28 December 2024 prepared by Zhongtongcheng Asset Appraisal Co., Ltd. in relation to the valuation of the entire equity interest of Vast Infraestrutura S.A. ("**the Target Company**") as at 31 December 2023 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of China Merchants Port Holdings Company Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong
18 March 2025

The following is the full text of the letter dated 18 March 2025, prepared by the Board for inclusion in this announcement.

18 March 2025

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: Profit Forecast — Confirmation letter under the requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

We refer to the (i) the announcement of China Merchants Port Holdings Company Limited (the "**Company**") dated 28 February 2025; and (ii) the valuation report ("**Valuation Report**") dated 28 December 2024 in relation to the valuation (the "**Valuation**") of the entire equity interest of Vast Infraestrutura S.A. as at the valuation benchmark date of 31 December 2023 prepared by Zhongtongcheng Asset Appraisal Co., Ltd.* (中通誠資產評估有限公司) (the "**Valuer**").

As discounted cash flow method under the income approach was applied in the Valuation, the Valuation constitutes a profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules. We have discussed with the Valuer about various aspects including the bases and assumptions upon which the Valuation was prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report issued by KPMG regarding whether the discounted future cash flows, so far as the calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report.

Pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, we are of the opinion that the Profit Forecast has been made after due and careful enquiry.

* *For identification purpose only*

Yours faithfully,
For and on behalf of the board of directors of
China Merchants Port Holdings Company Limited
Feng Boming
Chairman