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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.

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**DISCLOSEABLE AND CONNECTED TRANSACTIONS
QIANHAIWAN EQUITY TRANSFER AGREEMENT
AND
LAND USE RIGHTS CONFIRMATION CONTRACT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 15 of this circular, a letter from the Independent Board Committee is set out on pages 16 to 17 of this circular, and a letter from Somerley, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 40 of this circular.

A notice convening the EGM of China Merchants Port Holdings Company Limited to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m., on Monday, 28 November 2016 is set out on pages EGM-1 to EGM-2 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.

7 November 2016

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CMG”	China Merchants Group Limited, a company incorporated in the PRC and the ultimate holding company of the Company
“CMPDS”	China Merchants Port Development (Shenzhen) Company Limited (招商局港口發展(深圳)有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“CMSIZ”	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC and whose shares are listed on the Shenzhen Stock Exchange. It is an indirect subsidiary of CMG
“CMV”	Shenzhen China Merchants Venture Company Limited (深圳市招商創業有限公司), a company incorporated in the PRC and a subsidiary of CMSIZ
“Company”	China Merchants Port Holdings Company Limited, 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
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m., on Monday, 28 November 2016 by the Company to approve the Transactions
“Group”	the Company and its subsidiaries

DEFINITIONS

“HKD”	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 Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract
“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 Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract
“Independent Shareholders”	the Shareholders other than CMG and its associates
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer to provide intermediary consultation and appraisal services, which was commissioned by Company to conduct a fair valuation of the property interests held by Qianhaiwan Property and CMSIZ as at 31 August 2016
“Jetty III Land”	the parcel of land situated at Jetty III Shekou Container Terminal with a total area of 204,027.68 sq.m which is currently leased by SCT1 under the SCT1 Lease Agreement
“Land Use Rights Confirmation Contract”	the land use rights confirmation contract dated 14 October 2016 entered into between SCT1 and CMSIZ, pursuant to which CMSIZ agreed to sell to SCT1 the Jetty III Land

DEFINITIONS

“Latest Practicable Date”	3 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PFYD”	Shenzhen Qianhai Pingfangyuanqu Development Company Limited (深圳市前海平方園區開發有限公司), a company incorporated in the PRC and a subsidiary of CMSIZ
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qianhaiwan Equity Transfer Agreement”	the equity transfer agreement dated 14 October 2016 entered into between CMPDS, CMSIZ, CMV, PFYD and Qianhaiwan Property pursuant to which CMPDS agreed to acquire the entire equity interest in Qianhaiwan Property
“Qianhaiwan Property”	Shenzhen China Merchants Qianhaiwan Property Company Limited (深圳市招商前海灣置業有限公司), a company incorporated in the PRC and is currently owned, as to 49% by CMV and as to 51% by PFYD
“RMB”	Renminbi, the lawful currency of the PRC
“SCT1”	Shekou Container Terminals Limited (蛇口集裝箱碼頭有限公司), a wholly foreign owned enterprise established under the laws of the PRC and a 80%-owned subsidiary of the Company
“SCT1 Lease Agreement”	the lease agreement entered into between SCT1 as lessee and CMSIZ as lessor on 20 May 1989, details of which were disclosed in the announcement of the Company dated 7 May 2007
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“sq.m”	square metre

DEFINITIONS

“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract
“%”	per cent.

For the purposes of this circular, the exchange rate of HKD1.00 = RMB0.8610 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.

LETTER FROM THE BOARD



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. LI Xiaopeng (*Chairman*)
Mr. HU Jianhua (*Vice Chairman*)
Mr. FU Gangfeng
Mr. YU Liming
Mr. WANG Hong
Mr. DENG Renjie
Mr. BAI Jingtao (*Managing Director*)
Mr. WANG Zhixian
Mr. ZHENG Shaoping

Registered Office:

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

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

7 November 2016

To the Shareholders of the Company

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
QIANHAIWAN EQUITY TRANSFER AGREEMENT
AND
LAND USE RIGHTS CONFIRMATION CONTRACT**

1 INTRODUCTION

Reference is made to the announcement of the Company dated 14 October 2016 in relation to the Transactions.

On 14 October 2016, CMPDS, CMSIZ, CMV, PFYD and Qianhaiwan Property entered into the Qianhaiwan Equity Transfer Agreement, pursuant to which CMPDS, a wholly-owned subsidiary of the Company, agreed to acquire the entire equity interest in Qianhaiwan Property.

LETTER FROM THE BOARD

On the same day, the Land Use Rights Confirmation Contract was also entered into between SCT1 and CMSIZ, pursuant to which CMSIZ agreed to sell to SCT1 the Jetty III Land.

Under the Listing Rules, the Transactions will be aggregated and treated as if they were one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these transactions as aggregated are more than 5% but less than 25%, these transactions constitute discloseable and connected transactions of the Company, and are 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.

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

- (i) further information on the Transactions;
- (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Transactions;
- (iii) the letter from Somerley setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions;
- (iv) the letter, summary of valuations and valuation certificates received from the Independent Valuer in connection with its opinion of market values of the property interests held by Qianhaiwan Property and CMSIZ as at 31 August 2016; and
- (v) the notice of the EGM at which ordinary resolutions will be proposed to approve the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract.

2 QIANHAIWAN EQUITY TRANSFER AGREEMENT

Date: 14 October 2016

Parties: (1) CMPDS;
(2) CMSIZ;
(3) CMV;
(4) PFYD; and
(5) Qianhaiwan Property.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Qianhaiwan Equity Transfer Agreement, CMPDS, a wholly-owned subsidiary of the Company, agreed to acquire 49% and 51% of the equity interest in Qianhaiwan Property from CMV and PFYD, respectively.

Consideration

The total consideration for the acquisition of the equity interest in Qianhaiwan Property payable by CMPDS under the Qianhaiwan Equity Transfer Agreement is RMB2,528,472,800 (equivalent to approximately HKD2,936,669,918.70), 60% of which (the “**Qianhaiwan First Instalment**”) shall be payable within 5 business days after all the conditions precedent to completion under the Qianhaiwan Equity Transfer Agreement are satisfied and the remaining 40% shall be payable within 10 business days after, inter alia, the completion of the registration of the transfer with the local administration of industry and commerce, the completion of the transfer of the equity interest and the issuance of the new business licence of Qianhaiwan Property.

In addition, on the date of payment of the Qianhaiwan First Instalment, CMPDS shall pay to Qianhaiwan Property an amount equal to all the outstanding amounts advanced by CMSIZ, CMV and PFYD to Qianhaiwan Property as at the date of payment of the Qianhaiwan First Instalment and Qianhaiwan Property shall, on the day of receipt of such funds, use such funds to repay the outstanding amounts due to CMSIZ, CMV and PFYD, provided that the amount to be paid by CMPDS to Qianhaiwan Property shall not exceed RMB326,550,416.39 (equivalent to approximately HKD379,268,776.30), being the total amount advanced by CMSIZ, CMV and PFYD as at 31 December 2015. If the outstanding amounts due to CMSIZ, CMV and PFYD exceeds RMB326,550,416.39, CMPDS and Qianhaiwan Property shall not be liable to repay the excess amount.

The consideration payable under the Qianhaiwan Equity Transfer Agreement (including the amount to be paid to Qianhaiwan Property for repayment of the amounts due to CMSIZ, CMV and PFYD) was arrived at after arm’s length negotiations between the parties and with reference to, inter alia, the financial condition of Qianhaiwan Property as at 31 December 2015 and the preliminary valuation of the properties held by Qianhaiwan Property.

Since the land use rights of the property held by Qianhaiwan Property are specific commodity housing which should neither be transferred nor be transferred through the equity transfer transaction without the relevant authorities’ permission, the Independent Valuer has attributed no commercial value to such property.

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However, as disclosed in note 10 of the valuation certificate in relation to Qianhaiwan Property, assuming the property can be transferred in its existing state by whatever means, the Independent Valuer is of the opinion that the market value of the property as at 31 August 2016 (i.e. the valuation date) would be RMB2,865,000,000. Such valuation has been made on the basis set out in note 8 of the valuation certificate in relation to Qianhaiwan Property. According to the legal opinion issued by Jun He Law Offices:

- (i) Qianhaiwan Property has obtained relevant construction land planning permits, construction work planning permits and construction work commencement permits in respect of the development and construction of Phases I to IV of the Qianhaiwan Garden in accordance with relevant PRC laws and regulations (see note 9(c) of the valuation certificate in relation to Qianhaiwan Property); and
- (ii) restricted by the special land transfer terms mentioned in note 2 of the valuation certificate in relation to Qianhaiwan Property, Qianhaiwan Property has the rights to transfer, lease, mortgage of the land use rights of the property (see note 9(d) of the valuation certificate in relation to Qianhaiwan Property).

As disclosed on page 13 of this circular, the Company expects that part of the Qianhaiwan Garden will be utilised as staff quarters for employees of the Group and the remainder of the Qianhaiwan Garden will be used for retail and commercial purposes and other ancillary community support functions. The Company therefore currently does not have any intention to sell the Qianhaiwan Garden. Accordingly, as at the date of this circular, the Company is not contemplating to make an application to the relevant authorities for permission to transfer the property held by the Qianhaiwan Property. However, if the Company is to apply for such permission, the Company is currently not aware of any obstacles in obtaining such permission.

As referred to in note 9(a) of the valuation certificate in relation to Qianhaiwan Property, according to the analysis by the Company's PRC legal advisers:

- (1) the construction of Qianhaiwan Garden has been completed and, under PRC law, the building ownership right and the land use right have been combined. Therefore it is impossible under PRC law for the occurrence of pure "land transfer" behavior as restricted by the special land transfer terms mentioned in note 2 of the valuation certificate in relation to Qianhaiwan Property; and
- (2) according to a decision of the Supreme People's Court of the PRC in 2013, the court ruled that a transfer of the equity interest of a property holding company does not necessarily constitute a transfer of land.

On these two basis, the PRC legal adviser is of the opinion that the transactions contemplated under the Qianhaiwan Equity Transfer Agreement does not contravene the PRC laws or the special land transfer term referred to in note 2 of the valuation certificate in relation to Qianhaiwan Property.

LETTER FROM THE BOARD

Taken into account the proposed use of the property and the legal opinion issued by Jun He Law Offices, the Company is of the view that it is appropriate to determine the consideration with reference to the valuation of the properties held by Qianhaiwan Property as set out in note 10 of the valuation certificate in relation to Qianhaiwan Property.

The consideration payable under the Qianhaiwan Equity Transfer Agreement (including the amount to be paid to Qianhaiwan Property for repayment of the amounts due to CMSIZ, CMV and PFYD) shall be funded from internal resources of the Group.

Conditions Precedent

Completion of the transfer under the Qianhaiwan Equity Transfer Agreement is subject to, inter alia, (i) the obtaining of all necessary building ownership certificates; (ii) the obtaining of all necessary regulatory approvals including those from the relevant ministry of commerce and the National Development and Reform Commission (if required); (iii) the approval by CMG; (iv) the obtaining of all the approvals (including approval by the board of directors and shareholders) by each party and the Company as may be required under their respective articles of association, relevant laws and regulations and the rules of the stock exchange which they are subject to; and (v) the obtaining of all necessary approvals required for the implementation of the Land Use Rights Confirmation Contract. CMPDS shall have the right to terminate the Qianhaiwan Equity Transfer Agreement if the above conditions are not satisfied by 31 December 2016. Furthermore, if the above conditions are not satisfied within 6 months from the date of the Qianhaiwan Equity Transfer Agreement, the Qianhaiwan Equity Transfer Agreement shall automatically lapse.

Upon completion of the transfer under the Qianhaiwan Equity Transfer Agreement, Qianhaiwan Property will become an indirect wholly-owned subsidiary of the Company.

Other Key Terms of the Qianhaiwan Equity Transfer Agreement

The parties further agreed that CMV and PFYD shall be entitled to any net profits, and shall be responsible for any net losses (as the case may be), incurred by Qianhaiwan Property during the period between 31 December 2015 and the completion date.

Information of Qianhaiwan Property

Qianhaiwan Property is a limited liability company incorporated in the PRC with a registered capital of RMB200,000,000 (equivalent to approximately HKD232,290,000). As at the date of this circular, Qianhaiwan Property is owned, as to 49% by CMV and as to 51% by PFYD.

The principal asset of Qianhaiwan Property is a parcel of land situated at the junction of Zhenhai Road and Gangcheng Road, Qianhai District, Shenzhen, the

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PRC with a total site area of 51,790.43 sq.m and the completed property development project, namely, the Qianhaiwan Garden, located at the same address.

As at 31 December 2015, the net asset value attributable to the shareholders of Qianhaiwan Property is RMB196,688,238.81 (equivalent to approximately HKD228,441,624.63). According to the announcement of the Company dated 14 October 2016 in relation to the Transactions, the net profits before taxation and extraordinary items of Qianhaiwan Property for the financial years ended 31 December 2014 and 2015 based on the audited financial statements of Qianhaiwan Property were RMB7,552,410 (equivalent to approximately HKD8,771,672) and RMB5,703,790 (equivalent to approximately HKD6,624,611), respectively. However, such figures should instead be RMB6,181,480 (equivalent to approximately HKD7,179,419) and RMB3,978,180 (equivalent to approximately HKD4,620,418). Therefore, the net profits (both before and after taxation and extraordinary items) of Qianhaiwan Property for the financial years ended 31 December 2014 and 2015 based on the audited financial statements of Qianhaiwan Property are RMB6,181,480 (equivalent to approximately HKD7,179,419) and RMB3,978,180 (equivalent to approximately HKD4,620,418), respectively.

3 LAND USE RIGHTS CONFIRMATION CONTRACT

Date: 14 October 2016

Parties: (1) CMSIZ; and
(2) SCT1.

Subject Matter

Pursuant to the Land Use Rights Confirmation Contract, CMSIZ agreed to sell and SCT1 agreed to purchase the land use rights in respect of a parcel of land situated at Jetty III Shekou Container Terminal with a total area of 204,027.68 sq.m which is currently leased by SCT1 under the SCT1 Lease Agreement for the operation of port and port-related business.

CMSIZ owns the land use right of a much larger piece of land of which the Jetty III Land forms part. In order to segregate the land use right of the Jetty III Land from such larger piece of land, according to PRC laws, SCT1 is required to enter into a separate land use right transfer agreement with the Shenzhen Land Bureau in respect of the land use right of the Jetty III Land, in addition to entering into of the Land Use Rights Confirmation Contract with CMSIZ. CMSIZ has undertaken to assist SCT1 and to procure such land use right transfer agreement will be entered into before 31 October 2017. If the land use right transfer agreement is not entered into before 31 October 2017, SCT1 shall have the right to request CMSIZ to return all amounts paid by SCT1 under the Land Use Rights Confirmation Contract together with interest at the loan lending base rate specified by the People's Bank of China on the payment date. SCT1 can exercise such right solely at its discretion and whether it would exercise such right will depend on the status of the execution of the separate land use right transfer agreement with the Shenzhen Land Bureau of such time.

LETTER FROM THE BOARD

Consideration

The consideration for the acquisition of the land use rights of the Jetty III Land under the Land Use Rights Confirmation Contract is RMB552,287,800 (equivalent to approximately HKD641,449,245.06), of which 60% of the consideration (the “**Jetty III First Instalment**”) shall be payable within 15 business days after the Land Use Rights Confirmation Contract becomes effective and the remaining 40% of the consideration shall be payable within 15 business days from the earlier of (i) the date when the land use right transfer agreement to be entered into between SCT1 and the Shenzhen Land Bureau takes effect and the new land use right certificate in respect of the Jetty III Land has been obtained, and (ii) 9 months after the date of payment of the Jetty III First Instalment.

The consideration payable by SCT1 under the Land Use Rights Confirmation Contract was arrived at after arm’s length negotiations between the parties taking into account, inter alia, the preliminary valuation of the Jetty III Land and represents the proportion of the aggregate initial land premium and infrastructure construction costs paid by CMSIZ in connection with the Jetty III Land. In addition, based on the current base land price, the additional land premium that may be payable by SCT1 under the land use right transfer agreement to be entered into between SCT1 and the Shenzhen Land Bureau is expected to be RMB98,804,300 (equivalent to approximately HKD114,755,284.55). If the actual additional land premium payable by SCT1 under such land use right contract exceeds RMB98,804,300, CMSIZ shall be responsible to pay for any such excess amount provided that CMSIZ shall not be responsible for such excess amount if there is a change to the base land price resulting in the actual additional land premium exceeding RMB98,804,300.

Since CMSIZ had not signed any state-owned land use rights grant contracts or obtained any real estate title certificates as at the valuation date, the Independent Valuer has attributed no commercial value to the Jetty III Land.

However, as disclosed in note 10 of the valuation certificate in relation to the Jetty III Land, the Independent Valuer is of the opinion that the market value of the property as at the valuation date would be RMB652,000,000, assuming (a) the state-owned land use rights grant contracts and the real estate title certificates have been obtained; (b) the relevant land premium has been fully paid by the grantee; (c) the land use rights of the property have been granted for a term of 50 years commencing from 20 May 1989 and expiring on 19 May 2039; (d) the land use rights of the property is for jetty port use; and (e) the plot ratio of the land use rights of the property is not higher than 1. According to the legal opinion issued by Hui Zhong Law Firm:

- (i) it is expected that there will be no major legal impediment for SCT1 to sign the state-owned land use rights grant contracts with the Planning and Land Resources Bureau (see note 9(b) of the valuation certificate in relation to the Jetty III Land); and

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- (ii) if SCT1 signs the state-owned land use rights grant contracts with the Planning and Land Resources Bureau and applies for the registration of the ownership rights of the buildings of the property in accordance with all the relevant conditions and requirements and not being rejected, there should be no major legal impediments for SCT1 to obtain the building ownership registration and real estate title certificates (see note 9(c) of the valuation certificate in relation to the Jetty III Land).

Taken into account the above, the Company is of the view that it is appropriate to determine the consideration with reference to the valuation of the Jetty III Land as set out in note 10 of the valuation certificate in relation to Jetty III Land.

The consideration payable by SCT1 under the Land Use Rights Confirmation Contract shall be funded from the internal resources of the Group.

Conditions Precedent

The Land Use Rights Confirmation Contract shall take effect upon the obtaining of all necessary approvals by the board of directors and shareholders of the relevant parties (including the Company) as may be required by the respective articles of association, relevant laws and regulations and the rules of the stock exchange. Further, completion of the transactions contemplated under the Land Use Rights Confirmation Contract is also subject to the obtaining of all necessary approvals required for the implementation of the Qianhaiwan Equity Transfer Agreement.

Termination of SCT1 Lease Agreement

The land use right for the Jetty III Land shall be transferred from CMSIZ to SCT1 and the SCT1 Lease Agreement shall be terminated on the date when SCT1 has paid to CMSIZ the Jetty III First Instalment and all amounts payable under the SCT1 Lease Agreement during the period from 1 January 2017 to the date of payment of the Jetty III First Instalment.

4 INFORMATION ON THE PARTIES

CMPDS, an indirect wholly-owned subsidiary of the Company, is a limited liability company established under the laws of the PRC. Its principal activities are port investment, holding business and provision of port information consultation services.

CMSIZ is a company incorporated in the PRC and whose shares are listed on the Shenzhen Stock Exchange. The principal activities of CMSIZ are the development and operation in Shekou Industrial Zone and property development and investment in Shekou, Shenzhen, the PRC. It is an indirect subsidiary of CMG and therefore a connected person of the Company.

LETTER FROM THE BOARD

CMV is a company incorporated in the PRC and a wholly-owned subsidiary of CMSIZ. Its principal activities are investment holding and development, sales and leasing of real estate.

PFYD is a company incorporated in the PRC in which CMSIZ has a 91.6% effective interest. Its principal activities are car park development, real estate development and management and self-owned property leasing.

SCT1, an indirect 80%-owned subsidiary of the Company, is a wholly foreign owned enterprise established under the laws of the PRC. Its principal activity is provision of container services at the Shekou Container Terminal in Shenzhen, the PRC.

5 REASONS FOR THE TRANSACTIONS

The Group's core business primarily includes 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. Among these assets, those located in the West Shenzhen Ports Zone constitute a significant share of the Group's ports business. The Group has over the past decade been endeavouring to integrate and/or re-align its interests, equity or operation-wise, in these West Shenzhen assets whenever it is practicably possible to so do with a view to harmoniously improving their efficiency and, in turn, further strengthening the Group's foothold in the proximity.

The Qianhaiwan Garden is in a strategic location in the Qianhai Special Economic Zone. It is currently expected that part of the Qianhaiwan Garden will be utilised as staff quarters for employees of the Group and the remainder of the Qianhaiwan Garden will be used for retail and commercial purposes and other ancillary community support functions. Given its location, acquisition of the Qianhaiwan Garden (through the acquisition of the entire interest in Qianhaiwan Property pursuant to the Qianhaiwan Equity Transfer Agreement) will support the overall development of the ports business of the Group in the West Shenzhen Ports Zone.

The Jetty III Land has been leased by SCT1 under the SCT1 Lease Agreement since 1989 and is a crucial asset to SCT1 as all its port facilities and equipment are currently affixed to it. The SCT1 Lease Agreement is due to expire on 19 May 2019. The acquisition of the Jetty III Land will therefore enable the Group to own such crucial asset directly and does not need to rely on any further leasing arrangement with CMSIZ (which might or might not be extended by CMSIZ on commercial favourable terms).

Taking into account the above, the Directors, including the independent non-executive Directors, consider that the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract and therefore no Director is required to abstain from voting on the board resolutions approving the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract.

LETTER FROM THE BOARD

6 LISTING RULES IMPLICATIONS

Each of CMV, PFYD, Qianhaiwan Property and CMSIZ is a subsidiary of CMG, the ultimate holding company of the Company. Accordingly, each of CMV, PFYD, Qianhaiwan Property and CMSIZ is a connected person of the Company and the transactions contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract constitute connected transactions of the Company.

Under the Listing Rules, the transactions contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract will be aggregated and treated as if they were one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these transactions as aggregated is more than 5% but less than 25%, these transactions constitute discloseable and connected transactions of the Company, and are 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.

Save as disclosed above, the Group does not have any prior transactions or relationship with CMV, PFYD, Qianhaiwan Property and CMSIZ and their ultimate beneficial owners and associates which required aggregation with the transaction contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract pursuant to Rule 14.22 or 14A.81 of the Listing Rules.

7 EGM

The EGM will be held at the Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m. on Monday, 28 November 2016. At the EGM, separate ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract. CMG which is interested in 2,615,787,778 shares in the Company (representing approximately 53% of the issued share capital of the Company) as at the Latest Practicable Date, and its associates shall abstain from voting on the resolutions to be proposed at the EGM to approve the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract.

To ascertain the Shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 25 November 2016 to 28 November 2016, 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, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 24 November 2016.

LETTER FROM THE BOARD

The Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract are conditional upon each other. Therefore, if any one of the resolutions to be passed in the EGM is not passed, the transactions contemplated under both the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract will not proceed.

8 RECOMMENDATION

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions. Somerley considers that the Transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are 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 Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract.

Having considered the advice from Somerley which are set out on pages 18 to 40 of this circular, the Independent Board Committee concurs with the views of Somerley and the Board and also considers that the Transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are 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 Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract.

9 ADDITIONAL INFORMATION

Your attention is also drawn to the letter of the Independent Board Committee set out on pages 16 to 17 of this circular, the letter set out on pages 18 to 40 of this circular from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, and to the additional information set out in the appendices to this circular.

Yours faithfully
By Order of the Board
China Merchants Port Holdings Company Limited
Mr. LI Xiaopeng
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)

7 November 2016

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
QIANHAIWAN EQUITY TRANSFER AGREEMENT
AND
LAND USE RIGHTS CONFIRMATION CONTRACT**

INTRODUCTION

We refer to the circular dated 7 November 2016 (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 Transactions. The Independent Board Committee was set up to advise whether, in its view, the Transactions are in the interests of the Company and its Shareholders and are 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 Transactions.

The terms of the Transactions are summarised in the “Letter from the Board” set out on pages 5 to 15 of the Circular. In addition, the Independent Board Committee has been advised by Somerley in considering the terms of the Transactions. 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 18 to 40 of the Circular.

RECOMMENDATION

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the recommendations of Somerley, the Independent Board Committee considers that the Transactions 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 on normal commercial terms, are fair and reasonable and in the interests of the Group and the Shareholders as a whole. 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 Transactions, as detailed in the notice of the EGM set out on pages EGM-1 to EGM-2 of the Circular.

Yours faithfully,
The Independent Board Committee

Mr. Bong Shu Ying Francis
Independent non-executive Director

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

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, 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

7 November 2016

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS QIANHAIWAN EQUITY TRANSFER AGREEMENT AND LAND USE RIGHTS CONFIRMATION CONTRACT

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 Transactions. Details of the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract are set out in the circular issued by the Company to the Shareholders dated 7 November 2016 (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 14 October 2016, CMPDS, CMSIZ, CMV, PFYD and Qianhaiwan Property entered into the Qianhaiwan Equity Transfer Agreement, pursuant to which CMPDS agreed to acquire 49% and 51% of the equity interest in Qianhaiwan Property from CMV and PFYD, respectively. The total consideration for such acquisition is approximately RMB2,528.5 million (equivalent to approximately HKD2,936.7 million). In addition, on the date of payment of the Qianhaiwan First Instalment (as defined below), CMPDS shall pay to Qianhaiwan Property an amount equal to all the outstanding amounts advanced by CMSIZ, CMV and PFYD to Qianhaiwan Property as at the date of payment of the Qianhaiwan First Instalment. Qianhaiwan Property shall in turn use such funds to repay the outstanding amounts due to CMSIZ, CMV and PFYD, which shall not exceed approximately RMB326.6 million (equivalent to approximately HKD379.3 million). Qianhaiwan Property is an investment holding company whose principal asset is the completed property development project (i.e. the Qianhaiwan Garden) situated on the land parcel located at the junction of Zhenhai Road and Gangcheng Road, Qianhai District, Shenzhen, the PRC. Upon completion of the Qianhaiwan Equity Transfer Agreement, Qianhaiwan Property will become an indirect wholly-owned subsidiary of the Company.

LETTER FROM SOMERLEY

On 14 October 2016, SCT1 and CMSIZ entered into the Land Use Rights Confirmation Contract, pursuant to which CMSIZ agreed to sell and SCT1 agreed to purchase the Jetty III Land, which forms part of a larger piece of land parcel currently owned by CMSIZ, and which is currently leased by SCT1 under the SCT1 Lease Agreement. The consideration for the acquisition of the land use rights of the Jetty III Land under the Land Use Rights Confirmation Contract is approximately RMB552.3 million (equivalent to approximately HKD641.4 million). The acquisition requires the entering into of a land use right transfer agreement with the Shenzhen Land Bureau in respect of the land use right of the Jetty III Land. Upon completion of the Land Use Rights Confirmation Contract, SCT1 will own the land use rights of the Jetty III Land.

Each of CMV, PFYD, Qianhaiwan Property and CMSIZ is a subsidiary of CMG, the ultimate holding company of the Company. Accordingly, each of CMV, PFYD, Qianhaiwan Property and CMSIZ is a connected person of the Company and the transactions contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract constitute connected transactions of the Company.

Under the Listing Rules, the transactions contemplated under the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract will be aggregated and treated as if they were one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these transactions as aggregated are more than 5% but less than 25%, these transactions constitute discloseable and connected transactions of the Company, and are 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.

The EGM will be convened for the purpose of considering, and if thought fit, approving the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract. CMG and its associates are required to abstain from voting on the resolutions approving the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract at the EGM. Independent Shareholders are reminded that the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract are conditional upon each other. Therefore, if any one of the resolutions in the EGM is not passed, the transactions contemplated under both the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract will not proceed.

The Independent Board Committee, comprising all of 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 in respect of the Qianhaiwan Equity Transfer Agreement and the Land Use Rights Confirmation Contract. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM SOMERLEY

We are not associated with the Company, CMPDS, CMV, PFYD, Qianhaiwan Property, CMSIZ, SCT1 and CMG 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, CMPDS, CMV, PFYD, Qianhaiwan Property, CMSIZ, SCT1 and CMG or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the Qianhaiwan Equity Transfer Agreement, the Land Use Rights Confirmation Contract, the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), the annual reports of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”) and 31 December 2014, the audited financial statements of Qianhaiwan Property for the year ended 31 December 2015, the property valuation report on the property interests held by Qianhaiwan Property and CMSIZ as at 31 August 2016 (the “**Valuation Report**”) prepared by the Independent Valuer as set out in appendix I to the Circular, the reassessed net asset value (“NAV”) of Qianhaiwan Property and the information as set out in the Circular. We have also discussed with the management of the Group the future prospects of the Group as enlarged by the Transactions. We have also discussed with Independent Valuer the valuation of the property interests held by Qianhaiwan Property and CMSIZ as at 31 August 2016. We have also visited the Qianhai Properties (as defined below) and the Jetty III Land.

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 or Qianhaiwan Property, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

1. Principal business activities of the Group

Formerly known as “China Merchants Holdings (International) Company Limited”, the Company officially changed its name to “China Merchants Port Holdings Company Limited” so as to better reflect the current strategy of the Company to focus on ports and port-related businesses and provide a clearer identification and corporate image for the Company.

LETTER FROM SOMERLEY

The Group's core business includes 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.

Set out in the table below is a summary of the Group's financial performance for the six months ended 30 June 2016 and 2015 and the years ended 31 December 2015 and 2014 as extracted from the 2016 Interim Report and the 2015 Annual Report.

	For the six months ended		For the year ended	
	30 June		31 December	
	2016	2015	2015	2014
	<i>HKD'million</i>	<i>HKD'million</i>	<i>HKD'million</i>	<i>HKD'million</i>
Revenue	3,847	4,080	8,233	8,257
Cost of sales	(2,206)	(2,210)	(4,602)	(4,737)
Gross profit	1,641	1,870	3,631	3,520
Share of profits less losses of associates	1,267	1,782	3,890	4,105
Profit before taxation	2,346	3,514	6,315	6,169
Profit for the period/year	1,990	3,153	5,525	5,018
Net profit attributable to the Shareholders	1,690	2,781	4,808	4,526

For the year ended 31 December 2015, revenue (comprising revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures) (the "Revenue") from the Group's core ports operation increased by approximately 1.7% to approximately HKD21,488 million, as a result of added contributions from overseas greenfield projects as new capacity ramped up, which overcame the decline seen in its bulk operation. Notwithstanding the above, the Group recorded a decrease of approximately 8.2% in the revenue to HKD43,525 million attributable to sluggish global trade weighed on the demand for products of China International Marine Containers (Group) Co., Ltd. ("CIMC"), of which the Group is the single largest shareholder. Profit attributable to the Shareholders amounted to approximately HKD4,808 million, representing an increase of approximately 6.2% from the prior year, within which recurrent profit was approximately HKD4,462 million, representing a decline of approximately 3.0% from 2014, owing to the weaker-than-expected performance of the Group's port-related manufacturing operation and the increase in net exchange losses, which was offset by the continuing growth from the Group's existing ports, better-than-expected contributions from overseas greenfield projects, and interest cost savings.

LETTER FROM SOMERLEY

For the six months ended 30 June 2016, the Revenue from the Group's core ports operation increased by approximately 12.1% to approximately HKD12,043 million, as a result of added contributions from overseas greenfield projects in ramp-up period and acquired new projects which overcame the decline seen in its bulk operation. Notwithstanding the above, the Group recorded Revenue of approximately HKD21,212 million, down approximately 5.1% as sluggish global trade weighed on the demand for CIMC's products. Profit attributable to the Shareholders amounted to approximately HKD1,690 million, down approximately 39.2% as compared to the corresponding in prior year. Despite better-than-expected contributions from overseas greenfield projects and added contributions from new projects, the Group recorded recurrent profit of approximately HKD1,655 million, representing a decline of approximately 32.9% from the corresponding period in prior year, owing to the significant decline in the contribution from CIMC and the increase in interest cost.

	As at 30 June 2016	As at 31 December 2015	2014
	<i>HKD'million</i>	<i>HKD'million</i>	<i>HKD'million</i>
ASSETS			
Non-current assets			
Property, plant and equipment	19,206	19,570	19,982
Interests in associates	42,694	37,953	37,731
Others	34,018	32,540	30,838
	95,918	90,063	88,551
Current assets			
Cash and bank balances	5,263	10,293	9,501
Others	3,756	1,993	4,384
	9,019	12,286	13,885
Total assets	104,937	102,349	102,436
EQUITY			
Capital and reserves attributable to the Shareholders	66,199	68,828	67,430
Non-controlling interests	7,929	7,821	7,716
	74,128	76,649	75,146

LETTER FROM SOMERLEY

	As at	As at 31 December	
	30 June	2015	2014
	<i>HKD'million</i>	<i>HKD'million</i>	<i>HKD'million</i>
LIABILITIES			
Non-current liabilities			
Other financial liabilities	17,632	16,681	12,231
Others	<u>3,690</u>	<u>4,231</u>	<u>4,694</u>
	21,322	20,912	16,925
Current liabilities			
Creditors and accruals	4,300	2,582	3,094
Others	<u>5,187</u>	<u>2,206</u>	<u>7,271</u>
	9,487	4,788	10,365
Total equity and liabilities	<u><u>104,937</u></u>	<u><u>102,349</u></u>	<u><u>102,436</u></u>
Net current (liabilities)/assets	<u><u>(468)</u></u>	<u><u>7,498</u></u>	<u><u>3,520</u></u>

As at 30 June 2016, total assets of the Group was approximately HKD104,937 million, representing an increase of approximately 2.5% from that as at 31 December 2015. The Group has a significant portion, around 40.7%, of its total assets as at 30 June 2016 represented by interests in associates. The Group's material associates include, CIMC and Shanghai International Port (Group) Co., Ltd. All of the Group's associates are accounted for using equity method in these consolidated financial statements. Property, plant and equipment and land use rights each accounted for approximately 18.3% and 7.3% of the Group's total assets as at 30 June 2016.

NAV attributable to the Shareholders was approximately HKD66,199 million as at 30 June 2016, representing a decrease of approximately 3.8% from that as at 31 December 2015, mainly resulted from a decrease in fair value of the Group's available-for-sales financial assets and exchange differences from retranslation of foreign investments. As at 30 June 2016, the Group was in a net current liabilities position of approximately HKD468 million, the significant decrease from net current assets of approximately HKD7,498 million as at 31 December 2015 was mainly attributed to (i) the settlement of a cash consideration of approximately HKD4,332 million for the subscription of new shares representing approximately 21.05% of the equity interest in Dalian Port (PDA) Company Limited, whose shares are listed on the Stock Exchange (2880.HK) and the Shanghai Stock Exchange (601880.SH); and (ii) the total final dividend for the year ended 31 December 2015 payable to the Shareholders of approximately HKD1,429 million.

LETTER FROM SOMERLEY

2. Information on the property interests held by Qianhaiwan Property and CMSIZ (i.e. the Jetty III Land) and Qianhaiwan Property

(a) Information on the property interests held by Qianhaiwan Property

The principal assets of Qianhaiwan Property is a parcel of land (the “**Qianhai Land**”) situated at the junction of Zhenhai Road and Gangcheng Road, Qianhai District, Shenzhen, the PRC and the completed property development project known as Qianhaiwan Garden situated on the Qianhai Land (collectively known as the “**Qianhai Properties**”). The Qianhai Properties are well-served by public transportation with 30 minutes’ driving distance to the city center. Currently the surrounding environment comprises several mega logistics developments and a park. The Qianhai Properties are situated in 前海深港現代服務業合作區 (Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone) (the “**Qianhai New District**”), a special district encircled by Shuangjie River, Yueliangwan Boulevard, Mawan Boulevard and Qianhai Bay covering an area of approximately 15 square kilometres, comprising almost entirely reclaimed land. The special pilot district is designated for cooperation between the PRC and Hong Kong and innovation in the service industry.

The Qianhai Land comprises 4 parcels of land with a total site area of approximately 51,790.43 sq.m., on which situated the Phases I to IV of Qianhaiwan Garden which was completed between 2011 and 2013. The land use rights of the Qianhai Land have been granted for a term of 50 years expiring on 30 December 2056 for logistics use. Qianhaiwan Garden has a total gross floor area of approximately 152,296.34 sq.m., of which approximately 95,986.01 sq.m. are designated for dormitory purpose, 16,768.26 sq.m. for retail purposes and 35,468.90 sq.m. are designated as basement of which 680 car parks are situated. The rest of the total gross floor area was leased for kindergarten, public facilities and others uses. Currently, portions of the Qianhai Properties are leased to various tenants with certain portions remained vacant. As advised by the management of the Group, the vacancy are mainly attributed to the retail spaces as the Qianhai New District is being developed and more time will be needed before commercial establishment of this area becomes more mature. As at the Latest Practicable Date, we note that according to the relevant valuation certificate issued by the Independent Valuer, the Qianhai Property has owned most of the major certificates and/or approvals.

(b) Information on the Jetty III Land

The Jetty III Land is a parcel of land situated at Jetty III Shekou Container Terminal (i.e. eastern side of Xinghai Avenue, Nanshan District, Shenzhen, the PRC) with a total area of approximately 204,027.68 sq.m. The subject area of the property is well-served by public transportation with 35 minutes’ driving distance to the city center. The surrounding environment comprises several mega logistics developments and port. The Jetty III Land has all along been used by SCT1 for jetty port use.

LETTER FROM SOMERLEY

According to a land use agreement (the “**Land Use Agreement**”) entered into between 招商局蛇口工業區有限公司 (China Merchants Shekou Industrial Zone Company Limited), the predecessor of CMSIZ and SCT1 on 28 June 1990, CMSIZ agreed SCT1 to use the Jetty III Land for 30 years with term commencing from 20 May 1989 and expiring on 19 May 2019. Pursuant to the Land Use Agreement, CMSIZ charges SCT1 land use fee since 1 April 1991 with HKD5 per sq.m. per annum with increments of 30% every three years. Also pursuant to the Land Use Agreement, the Jetty III Land shall not be used to engage in activities other than jetty port use. The Jetty III Land is currently leased by SCT1 under the SCT1 Lease Agreement for the operation of port and port-related business.

CMSIZ owns the land use right of a much larger piece of land of which the Jetty III Land forms part. In order to segregate the land use right of the Jetty III Land from such larger piece of land, according to PRC laws, SCT1 is required to enter into a separate land use right transfer agreement with the Shenzhen Land Bureau in respect of the land use right of the Jetty III Land, in addition to entering into of the Land Use Rights Confirmation Contract with CMSIZ.

(c) *Information on Qianhaiwan Property*

Qianhaiwan Property is an investment holding company established in the PRC with limited liability and with a registered capital RMB200.0 million (equivalent to approximately HKD232.3 million). As at the Latest Practicable Date, Qianhaiwan Property is owned as to 49% by CMV and as to 51% by PFYD.

Set out below were the audited net profits (both before and after taxation and extraordinary items) of Qianhaiwan Property for the years ended 31 December 2015 and 2014 based on the audited financial statements of Qianhaiwan Property:

	For the year ended 31 December 2015	For the year ended 31 December 2014
	<i>RMB (million)</i>	<i>RMB (million)</i>
Profit before taxation and exceptional items	4.0	6.2
Profit after taxation and exceptional items	4.0	6.2

Qianhaiwan Property recorded profit before taxation and exceptional items for the years ended 31 December 2014 and 2015, which were mainly attributable to the rental income received from the leasing of the Qianhai Properties. The decrease in the profit before taxation and exceptional items for the year ended 31 December 2015 compared to that for the year ended 31 December 2014 was mainly due to higher property depreciation expense, land use rights amortisation expense and real estate tax incurred during 2015.

LETTER FROM SOMERLEY

As at 31 December 2015, the NAV attributable to the shareholders of Qianhaiwan Property was approximately RMB196.7 million (equivalent to approximately HKD228.4 million). Set out below is the summary of the audited statement of financial position of Qianhaiwan Property as at 31 December 2015:

	As at 31 December 2015 RMB (million)	As at 31 December 2014 RMB (million)
Non-current assets		
Investment properties	524.4	544.3
Other non-current assets	–	0.1
	524.4	544.4
Current assets		
Cash	15.9	6.9
Other current assets	0.7	0.6
	16.6	7.5
Total assets	541.0	551.9
Current liabilities		
Amount due to CMSIZ	267.8	279.7
Amounts due to CMV and PFYD	58.8	58.8
Other current liabilities	17.7	20.7
	344.3	359.2
NAV	196.7	192.7

The assets of Qianhaiwan Property principally comprised the Qianhai Properties (included in the investment properties in the table above) and cash. Apart from shareholders' equity, the operations of Qianhaiwan Property was also financed by loans from CMSIZ, CMV and PFYD.

3. Reasons for and benefits of the Acquisition

As set out in the letter from the Board to the Circular, the Group's ports and port-related activities located in the West Shenzhen Ports Zone constitute a significant share of the Group's ports business. The Group has over the past decade been endeavouring to integrate and/or re-align its interests, equity or operation-wise, in these West Shenzhen assets whenever it is practicably possible to so do with a view to harmoniously improving their efficiency and, in turn, further strengthening the Group's foothold in the proximity.

As discussed above, the Qianhaiwan Garden is in a strategic location in the Qianhai New District. It is currently expected that part of the Qianhaiwan Garden will be utilised as staff quarters for employees of the Group and the remainder of the Qianhaiwan Garden will be used for retail and commercial purposes and other ancillary community support functions. The Company therefore currently does not have any intention to sell the Qianhaiwan Garden. It is envisaged by the Company that given its strategic location, acquisition of the Qianhaiwan Garden will support the overall development of the ports business of the Group in the West Shenzhen Ports Zone. We understand from the management of the Group that accommodation and commuting is highly regarded by the Group's staff to develop the West Shenzhen Ports Zone, where the current location is relatively remote and requires time to develop into mature commercial development area. It is important, as explained by management of the Group, that it needs to take control of the accommodation for its staff to ensure a stable team of staff and positive morale. Taking into account all of the above, we are of the view that acquisition of the Qianhai Properties, represents a genuine commercial pursuit and would fit in well with the Group strategy to improve the efficiency of the West Shenzhen assets and, in turn, further strengthen the Group's foothold in the proximity.

The Jetty III Land has been leased by SCT1 under the SCT1 Lease Agreement since 1989 and is a crucial asset to SCT1 as all its port facilities and equipment are currently affixed to it. The SCT1 Lease Agreement is due to expire on 19 May 2019. The acquisition of the Jetty III Land will therefore enable the Group to own such crucial asset directly and does not need to rely on any further leasing arrangement with CMSIZ (which might or might not be extended by CMSIZ on commercial favourable terms) when the lease term of the SCT1 Lease Agreement expires. We are advised by the Company that the current rent of HKD40.79 per sq.m. per annum (equivalent to approximately HKD8.3 million per annum) may be significantly below of the recently lettings entered into in the market. As advised by the management of the Group, according to a recent third party lease transaction of a parcel of land with similar usage in the vicinity indicated the market rent could reach up to approximately HKD230.0 per sq.m. per annum. Our discussion with the Independent Valuer confirmed such understanding. Considering the above, we are of the view that it makes commercial sense for the Group to preempt the anticipated steep increase in rental payment of the Jetty III Land before the SCT1 Lease Agreement expires.

4. Principal terms of the Transactions

(a) The Qianhaiwan Equity Transfer Agreement

A summary of principal terms and conditions of the Qianhaiwan Equity Transfer Agreement is set out below.

Date

14 October 2016

Parties

- (i) CMPDS;
- (ii) CMSIZ;
- (iii) CMV;
- (iv) PFYD; and
- (v) Qianhaiwan Property.

Subject matter

Pursuant to the Qianhaiwan Equity Transfer Agreement, CMPDS agreed to acquire 49% and 51% of the equity interest in Qianhaiwan Property from CMV and PFYD, respectively.

Consideration

The total consideration for the acquisition of the equity interest in Qianhaiwan Property payable by CMPDS under the Qianhaiwan Equity Transfer Agreement is approximately RMB2,528.5 million (equivalent to approximately HKD2,936.7 million), 60% of which (the “**Qianhaiwan First Instalment**”) shall be payable within five business days after all the conditions precedent to completion under the Qianhaiwan Equity Transfer Agreement are satisfied and the remaining 40% shall be payable within 10 business days after, inter alia, completion of the registration of the transfer with the local administration of industry and commerce, the completion of the transfer of the equity interest and the issuance of the new business licence of Qianhaiwan Property.

LETTER FROM SOMERLEY

In addition, on the date of payment of the Qianhaiwan First Instalment, CMPDS shall pay to Qianhaiwan Property an amount equal to all the outstanding amounts advanced by CMSIZ, CMV and PFYD to Qianhaiwan Property as at the date of payment of the Qianhaiwan First Instalment and Qianhaiwan Property shall, on the day of receipt of such funds, repay all the outstanding amounts due to CMSIZ, CMV and PFYD, provided that the amount to be paid by CMPDS to Qianhaiwan Property shall not exceed approximately RMB326.6 million (equivalent to approximately HKD379.3 million), being the total amount advanced by CMSIZ, CMV and PFYD as at 31 December 2015. If the outstanding amounts due to CMSIZ, CMV and PFYD exceeds approximately RMB326.6 million, CMPDS and Qianhaiwan Property shall not be liable to repay the excess amount.

The consideration payable under the Qianhaiwan Equity Transfer Agreement (including the amount to be paid to Qianhaiwan Property for repayment of the amounts due to CMSIZ, CMV and PFYD) was arrived at after arm's length negotiations between the parties to the Qianhaiwan Equity Transfer Agreement and with reference to, inter alia, the financial condition of Qianhaiwan Property as at 31 December 2015 and the preliminary valuation of the properties held by Qianhaiwan Property.

The consideration payable under the Qianhaiwan Equity Transfer Agreement (including the amount to be paid to Qianhaiwan Property for repayment of the amounts due to CMSIZ, CMV and PFYD) shall be funded from internal resources of the Group.

Completion and conditions precedent to completion

Completion of the transfer under the Qianhaiwan Equity Transfer Agreement is subject to, inter alia, the following conditions precedent being fulfilled:

- (i) the obtaining of all necessary building ownership certificates;
- (ii) the obtaining of all necessary regulatory approvals including those from the relevant ministry of commerce and the National Development and Reform Commission (if required);
- (iii) the approval by CMG;
- (iv) the obtaining of all the approvals (including approval by the board of directors and shareholders) by each party to the Qianhaiwan Equity Transfer Agreement and the Company as may be required under their respective articles of association, relevant laws and regulations and the rules of the stock exchange which they are subject to; and

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- (v) the obtaining of all necessary approvals required for the implementation of the Land Use Rights Confirmation Contract.

CMPDS shall have the right to terminate the Qianhaiwan Equity Transfer Agreement if the above conditions precedent are not satisfied by 31 December 2016. If the above conditions precedent are not satisfied within six months from the date of the Qianhaiwan Equity Transfer Agreement (i.e. 13 April 2017), the Qianhaiwan Equity Transfer Agreement shall automatically lapse. Upon completion of the transfer under the Qianhaiwan Equity Transfer Agreement, Qianhaiwan Property will become an indirect wholly-owned subsidiary of the Company.

Other key terms

The parties to the Qianhaiwan Equity Transfer Agreement further agreed that CMV and PFYD shall be entitled to any net profits, and shall be responsible for any net losses (as the case may be), incurred by Qianhaiwan Property during the period between 31 December 2015 and the completion date.

(b) The Land Use Rights Confirmation Contract

A summary of principal terms and conditions of the Land Use Rights Confirmation Contract is set out below.

Date

14 October 2016

Parties

- (i) CMSIZ; and
- (ii) SCT1.

Subject matter

Pursuant to the Land Use Rights Confirmation Contract, CMSIZ agreed to sell and SCT1 agreed to purchase the land use rights in respect of the Jetty III Land.

As discussed above, CMSIZ owns the land use right of a much larger piece of land of which the Jetty III Land forms part. In order to segregate the land use right of the Jetty III Land from such larger piece of land, according to PRC laws, SCT1 is required to enter into a separate land use right transfer agreement with the Shenzhen Land Bureau in respect of the land use right of the Jetty III Land, in addition to entering into of the Land Use Rights

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Confirmation Contract with CMSIZ. Pursuant to the Land Use Rights Confirmation Contract, CMSIZ has undertaken to assist SCT1 and to procure such land use right transfer agreement will be entered into before 31 October 2017. If the land use right transfer agreement is not entered into before 31 October 2017, SCT1 shall have the right to request CMSIZ to return all amounts paid by SCT1 under the Land Use Rights Confirmation Contract together with interest at the loan lending base rate specified by the People's Bank of China on the payment date. SCT1 can exercise such right solely at its discretion and whether it would exercise such right will depend on the status of the execution of the separate land use right transfer agreement with the Shenzhen Land Bureau of such time.

Consideration

The consideration for the acquisition of the land use rights of the Jetty III Land under the Land Use Rights Confirmation Contract is approximately RMB552.3 million (equivalent to approximately HKD641.4 million), of which 60% of the consideration (the "**Jetty III First Instalment**") shall be payable within 15 business days after the Land Use Rights Confirmation Contract becomes effective and the remaining 40% of the consideration shall be payable within 15 business days from the earlier of (i) the date when the land use right transfer agreement to be entered into between SCT1 and the Shenzhen Land Bureau takes effect and the new land use right certificate in respect of the Jetty III Land has been obtained; and (ii) nine months after the date of payment of the Jetty III First Instalment.

The consideration payable by SCT1 under the Land Use Rights Confirmation Contract was arrived at after arm's length negotiations between the parties to the Land Use Rights Confirmation Contract taking into account, inter alia, the preliminary valuation of the Jetty III Land and represents the proportion of the aggregate initial land premium and infrastructure construction costs paid by CMSIZ in connection with the Jetty III Land. In addition, based on the current base land price, the additional land premium that may be payable by SCT1 under the land use right transfer agreement to be entered into between SCT1 and the Shenzhen Land Bureau is expected to be approximately RMB98.8 million (equivalent to approximately HKD114.8 million) (the "**Land Premium**"). If the actual additional land premium payable by SCT1 under such land use right contract exceeds the Land Premium, CMSIZ shall be responsible to pay for any such excess amount provided that CMSIZ shall not be responsible for such excess amount if there is a change to the base land price resulting in the actual additional land premium exceeding the Land Premium.

The consideration payable by SCT1 under the Land Use Rights Confirmation Contract shall be funded from the internal resources of the Group.

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Completion and conditions precedent to completion

The Land Use Rights Confirmation Contract shall take effect upon the obtaining of all necessary approvals by the board of directors and shareholders of the relevant parties (including the Company) as may be required by the respective articles of association, relevant laws and regulations and the rules of the stock exchange. Further, completion of the transactions contemplated under the Land Use Rights Confirmation Contract is also subject to the obtaining of all necessary approvals required for the implementation of the Qianhaiwan Equity Transfer Agreement.

Termination of SCT1 Lease Agreement

The land use right for the Jetty III Land shall be transferred from CMSIZ to SCT1 and the SCT1 Lease Agreement shall be terminated on the date when SCT1 has paid to CMSIZ the Jetty III First Instalment and all amounts payable under the SCT1 Lease Agreement during the period from 1 January 2017 to the date of payment of the Jetty III First Instalment.

5. Evaluation of the considerations

- (a) *Valuation of the property interests held by Qianhaiwan Property (i.e. the Qianhai Properties) and CMSIZ (i.e. the Jetty III Land) as at 31 August 2016*

As discussed in the letter from the Board in the Circular, the consideration payable under the Qianhaiwan Equity Transfer Agreement (including the amount to be paid to Qianhaiwan Property for repayment of the amounts due to CMSIZ, CMV and PFYD) was arrived at after arm's length negotiations between the parties and with reference to, inter alia, the financial condition of Qianhaiwan Property as at 31 December 2015 and the preliminary valuation of the properties held by Qianhaiwan Property. In addition, the consideration payable by SCT1 under the Land Use Rights Confirmation Contract was arrived at after arm's length negotiations between the parties taking into account, inter alia, the preliminary valuation of the Jetty III Land and represents the proportion of the aggregate initial land premium and infrastructure construction costs paid by CMSIZ in connection with the Jetty III Land.

The details of the aforesaid valuation of the properties held by Qianhaiwan Property and CMSIZ (the "**Valuation**") as at 31 August 2016 (the "**Valuation Date**") was prepared by the Independent Valuer. Details of the Valuation is set out in the Valuation Report as set out in appendix I to the Circular. The Valuation Report has been prepared in compliance with Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

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We have reviewed the Valuation Report and the relevant valuation workings provided by the Independent Valuer and interviewed the relevant staff of the Independent Valuer with particular attention to (i) the Independent Valuer's terms of engagement with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Independent Valuer in performing the Valuation. For our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the terms of engagement between the Company and Independent Valuer are appropriate to the opinion the Independent Valuer is required to give. The Independent Valuer has confirmed that it is independent from the Company, the parties to the Transactions and their respective core connected persons, close associates and associates. We further understand that the Independent Valuer is certified with the relevant professional qualifications required to perform the Valuation and the person in-charge of the Valuation has over 22 years' experience in conducting valuation services to clients in the property industry of the PRC and Hong Kong. We note that the Independent Valuer mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the management of the Group. We are advised by Independent Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification. The Independent Valuer, through its team of professional valuers, has inspected the subject properties in September 2016.

(i) Qianhai Properties

We note that the Qianhai Properties were primarily valued assuming that the Qianhai Properties can be transferred in its existing state by whatever means. In arriving at its opinion of value, the Independent Valuer has valued the Qianhai Properties by the income approach taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. As explained by the Independent Valuer, in proximity of the Qianhai Properties, there weren't readily available property transactions with similar features can be adopted under a market approach and as the Qianhai Properties are mainly intended by the Company to be used for leasing purposes, the Independent Valuer considers it appropriate to value the Qianhai Properties using the income approach. Based on the above, the methodology, in our opinion, is a reasonable approach in arriving at the appraised value of the Qianhai Properties.

In arriving at the appraised value of the Qianhai Properties, the Independent Valuer has broadly classified the subject property into three groups of properties (i.e. residential, commercial and carpark). The Independent Valuer has valued each group of properties by capitalising the term rents derived from the existing tenancies with due provision for the

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reversionary market rents of the individual properties under each group of properties for the remaining terms of the land use rights certificate of the Qianhai Properties. In this approach, the income stream adopted is based on the term rents from the existing unexpired contractual tenancies of the properties, whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each property unit is assumed to be let at its market rent as at the Valuation Date. The market rent of each of the individual properties under each group of properties is determined by the Independent Valuer based on the recent similar lettings in the proximity making relevant adjustments for differences in key factors such as floor level, age of property, property size, accessibility and orientation. The Independent Valuer then applied capitalisation rates for each group of properties, which are estimated with reference to the yield and quality of each group of properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, to revert the term rents and market rents of each property to the Valuation Date. For details of the market rents and capitalisation rates adopted by the Independent Valuer, please refer to the Valuation Report set out in appendix I to the Circular.

After taken into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Independent Valuer for the valuation of the Qianhaiwan Properties as discussed above are reasonable and in line with market practice.

As mentioned in the Valuation Report, as advised by Jun He Law Offices (“Jun He”), the Company’s PRC legal advisers in respect of the Qianhaiwan Properties, as restricted by the special land transfer terms, only after obtaining the approval for transfer from the Land and Resources Administration Bureau and changing the real estate title certificates with restriction on rights to real estate title certificates without restriction on rights, Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to government for free, property management area and non-proprietary parts) can be transferred and mortgaged (except for the kindergarten of Phase III of the Qianhaiwan Garden) in accordance with laws, the Independent Valuer therefore assigned no commercial value to the Qianhai Properties as the Qianhai Properties cannot be freely transferred currently. On the assumption that the Qianhai Properties can be transferred in its existing state by whatever means, the market value of the Qianhai Properties as at the Valuation Date would be RMB2,865.0 million. As advised by Jun He, there is no major legal impediments if the Company was to conduct an equity transfer of Qianhaiwan Property to other third parties upon completion of the Qianhaiwan Equity Transfer Agreement. For details of Jun He’s legal opinion on the Qianhaiwan Properties, please refer to note 9 of the valuation certificate in relation to Qianhaiwan Property contained in the Valuation Report set out in appendix I to the Circular.

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On the basis that (i) the Qianhaiwan Property has obtained the land use rights and the ownership rights of the buildings of Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to the government for free, property management area and non-proprietary parts) based on the PRC legal opinion; (ii) Jun He is of the opinion that the transactions contemplated under the Qianhaiwan Equity Transfer Agreement does not contravene the PRC laws or the special land transfer term referred to in note 2 of the valuation certificate in relation to Qianhaiwan Property contained in the Valuation Report set out in appendix I to the Circular; (iii) the appraised value of the Qianhai Properties would be RMB2,865.0 million on the assumption the Qianhai Properties can be transferred in its existing state by whatever means; (iv) there is no major legal impediments if the Company was to conduct an equity transfer of Qianhaiwan Property to other third parties upon completion of the Qianhaiwan Equity Transfer Agreement based on the PRC legal opinion; (v) we have reviewed the methodology adopted by Independent Valuer in arriving at the valuation of Qianhai Properties and considered that the methodology together with its bases and assumptions adopted are reasonable and in line with market practice; and (vi) the Qianhai Properties are mainly intended by the Company to be used for leasing purposes and the Company currently does not have any intention to sell the Qianhaiwan Garden, we are of the view that the estimated market value of the Qianhai Properties of RMB2,865.0 million to be reasonable.

(ii) Jetty III Land

We note that the Jetty III Land was primarily valued assuming (i) the state-owned land use rights grant contracts and the real estate title certificates of the Jetty III Land have been obtained; (ii) the Land Premium has been fully paid by the grantee; (iii) the land use rights of the Jetty III Land have been granted for a term of 50 years commencing from 20 May 1989 and expiring on 19 May 2039; (iv) the land use rights of the Jetty III Land is for jetty port use; and (v) the plot ratio of the land use rights of the Jetty III Land is not higher than 1. In arriving at its opinion of value, the Independent Valuer has valued the Jetty III Land by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. Based on the above, the methodology, in our opinion, is a reasonable approach in arriving at the appraised value of the Jetty III Land.

In arriving at the appraised value of the Jetty III Land, the Independent Valuer started the process by collecting and analysing the recent transactions of the market comparables located in the proximity of the Jetty III Land. The collected comparables were then adjusted to reflect the difference between the comparables and the Jetty III Land in terms of, among others, location, date of

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transaction, land usage, land use term, plot ratio, land size and nearby infrastructure. The appraised value of the Jetty III Land is then derived from the estimated price per sq.m. and site area of the Jetty III Land after addition of the Land Premium. We have reviewed and discussed Independent Valuer's workings on the selection of the market comparables and the relevant adjustments made. We are of the view that the basis of selection of market comparables and the adjustments, including various factors taken into account, made for reflecting the difference between the selected comparables and the Jetty III Land are reasonable and relevant for the purpose of establishing the appraised value of the Jetty III Land.

After taken into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Independent Valuer for the valuation of the Jetty III Land as discussed above are reasonable and in line with market practice.

As mentioned in the Valuation Report and as advised by the Company, CMSIZ has not signed any state-owned land use rights grant contracts or obtained any real estate title certificates in respect of the Jetty III Land as at the Valuation Date. Therefore, the Independent Valuer has attributed no commercial value to the Jetty III Land. On the assumptions that (i) the state-owned land use rights grant contracts and the real estate title certificates of the Jetty III Land have been obtained; (ii) the Land Premium has been fully paid by the grantee; (iii) the land use rights of the Jetty III Land have been granted for a term of 50 years commencing from 20 May 1989 and expiring on 19 May 2039; (iv) the land use rights of the Jetty III Land is for jetty port use; and (v) the plot ratio of the land use rights of the Jetty III Land is not higher than 1, the market value of the Jetty III Land as at the Valuation Date would be RMB652.0 million. As advised by Hui Zhong Law Firm, the PRC legal advisers of the Company in respect of the Jetty III Land, (i) it is expected there is no major legal impediment for SCT1 to sign the state-owned land use rights grant contracts and to obtain the real estate title certificates of the Jetty III Land; and (ii) based on the relevant PRC laws and regulations, the previous legal agreements entered into between CMSIZ and SCT1 and those entered into between SCT1 and the relevant authorities, where relevant, there has been historical guidance on the aforesaid land use rights term of 50 years, land usage as jetty port use and plot ratio of the Jetty III Land not higher than 1.

On the basis that (i) there is no major legal impediments to the obtaining of the state-owned land use rights grant contracts and the real estate title certificates of the Jetty III Land; (ii) the appraised value of the Jetty III land would be RMB652.0 million on the various aforesaid assumptions made by the Independent Valuer; (iii) based on the previous legal agreements entered into between CMSIZ and SCT1 and those entered into between SCT1 and the relevant authorities, there has been historical guidance on the aforesaid land use rights term of 50 years, land usage as jetty port use and plot ratio of the land use rights of the Jetty III Land is not higher than 1; and (iv) we have reviewed the methodology adopted by Independent Valuer in arriving at the

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valuation of Jetty III Land and considered that the methodology together with its bases and assumptions adopted are reasonable and in line with market practice, we are of the view that the estimated market value of the Qianhai Properties of RMB652.0 million to be reasonable.

After the deduction of the Land Premium of approximately RMB98.8 million, which is expected to be payable by SCT1 when it enters into state-owned land use rights grant contracts with the Shenzhen Land Bureau, the adjusted valuation of the Jetty III Land becomes RMB553.2 million. The consideration payable by SCT1 under the Land Use Rights Confirmation Contract of RMB552.3 million is almost at par with such adjusted valuation.

(b) Reassessed NAV of Qianhaiwan Property

Set out below are the comparison between Qianhaiwan Property's reassessed NAV and the consideration payable under the Qianhaiwan Equity Transfer Agreement (excluding the amount to be paid to Qianhaiwan Property for the repayment of the amounts due to CMSIZ, CMV and PFYD):

	<i>RMB (million)</i>
The audited NAV attributable to the shareholder of Qianhaiwan Property as at 31 December 2015 (<i>Note 1</i>)	196.7
Add: Appreciation in the value of the Qianhai Properties (based on the valuation of the Qianhai Properties as estimated by the Independent Valuer as at 31 August 2016) (<i>Note 2</i>)	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">2,340.6</div>
Reassessed NAV of Qianhaiwan Property (<i>Note 3</i>)	2,537.3
Consideration payable under the Qianhaiwan Equity Transfer Agreement (excluding the amount to be paid to Qianhaiwan Property for the repayment of the amounts due to CMSIZ, CMV and PFYD)	2,528.5
Discount of the relevant consideration to the reassessed NAV of Qianhaiwan Property	0.3%

Notes:

1. As confirmed by the management of the Group, since the parties to the Qianhaiwan Equity Transfer Agreement have agreed that CMV and PFYD shall be entitled to any net profits, and shall be responsible for any net losses (as the case may be), incurred by Qianhaiwan Property during the period between 31 December 2015 and the completion date, the NAV attributable to the shareholders of the Qianhaiwan Property as at Valuation Date will not be relevant for the analysis above.

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2. Based on the Valuation Report, the estimated value of the Qianhai Properties was RMB2,865.0 million as at the Valuation Date assuming the Qianhai Properties can be transferred in its existing state by whatever means. As compared with the value of the Qianhai Properties on the accounts of Qianhaiwan Property of approximately RMB524.4 million as at 31 December 2015, the unrealised valuation gain of the Qianhai Properties was approximately RMB2,340.6 million.
3. As advised by management of the Group, the Qianhai Properties are mainly intended by the Company to be used for leasing purposes and therefore would not attract any material deferred taxes to be taken into account in the reassessed NAV calculation above.

As the principal asset of Qianhaiwan Property is the Qianhai Properties, we consider that the basis of analysis the consideration under the Qianhaiwan Equity Transfer Agreement against the reassessed NAV of Qianhaiwan Property to be appropriate.

The reassessed NAV of Qianhaiwan Property is approximately RMB2,537.3 million. The consideration payable under the Qianhaiwan Equity Transfer Agreement (excluding the amount to be paid to Qianhaiwan Property for the repayment of the amounts due to CMSIZ, CMV and PFYD) of approximately RMB2,528.5 million represents a discount of approximately 0.3% to such reassessed NAV.

Having considered the above, in particular, the consideration under the Qianhaiwan Equity Transfer Agreement was a discount to the reassessed NAV of Qianhaiwan Property having adjusted for the valuation of the Qianhai Properties, we are of the view that the terms of the consideration under the Qianhaiwan Equity Transfer Agreement to be fair and reasonable.

(c) Debt assignment under the Qianhaiwan Equity Transfer Agreement

Pursuant to the terms of the Qianhaiwan Equity Transfer Agreement, CMPDS shall pay to Qianhaiwan Property an amount equal to all the outstanding amounts advanced by CMSIZ, CMV and PFYD to Qianhaiwan Property as at the date of payment of the Qianhaiwan First Instalment and Qianhaiwan Property shall, on the day of receipt of such funds, repay all the outstanding amounts due to CMSIZ, CMV and PFYD, provided that the amount to be paid by CMPDS to Qianhaiwan Property shall not exceed approximately RMB326.6 million (equivalent to approximately HKD379.3 million), being the total amount advanced by CMSIZ, CMV and PFYD as at 31 December 2015. If the outstanding amounts due to CMSIZ, CMV and PFYD exceeds approximately RMB326.6 million, CMPDS and Qianhaiwan Property shall not be liable to repay the excess amount. We have obtained and reviewed the breakdown of the outstanding amounts due to CMSIZ, CMV and PFYD as at 31 December 2015. We note that it is a common transaction term to assign the outstanding balances owe to the shareholders of the target company to buyer. Such dollar-for-dollar debt assignment will also eliminate any potential financial assistance that may constitute connected transactions for the Company upon completion of the Qianhaiwan Equity Transfer Agreement.

6. Financial impacts of the Transactions

(a) Earnings

Upon completion of the Transactions, Qianhaiwan Property will become a wholly-owned subsidiary of the Company and accordingly the financial result of Qianhaiwan Property will be consolidated into the consolidated financial statements of the Group. The acquisition of Qianhaiwan Property is expected to bring additional income to the Group as Qianhaiwan Property will continue to be leased out for rental.

The acquisition of the Jetty III Land is expected to eliminate the current rental expense payable by the Group in respect of the SCT1 Lease Agreement in full, which was approximately HKD8.3 million per annum (equivalent to approximately HKD40.78 per sq.m. per annum), as the SCT1 Lease Agreement will be terminated after completion of the acquisition of the Jetty III Land. The elimination of current rental expense is coupled with a trade-off where the acquisition cost of the Jetty III Land will be amortised over the remaining useful life of the land use rights of the Jetty III Land and the amortisation expense will be charged to the consolidated statement of profit or loss of the Group. Based on the total aggregate acquisition cost of approximately HKD756.2 million (comprising the consideration for the acquisition of the land use rights of the Jetty III Land under the Land Use Rights Confirmation Contract of approximately HKD641.4 million and the Land Premium under the land use right transfer agreement to be entered into between SCT1 and the Shenzhen Land Bureau of approximately HKD114.8 million) and the estimated remaining useful life of the land use rights of the Jetty III Land of approximately 22 years (i.e. up to May 2039), the estimated annual amortisation expense is approximately HKD34.4 million. While it appears that the estimated amortisation expense is significantly higher than the current rental for the Jetty III Land, the Independent Shareholders should note that the current rental expense payable by the Group under the SCT1 Lease Agreement is significantly below the market rent for port land sites in the vicinity, and in the absence of the Land Use Rights Confirmation Contract, the current rental for the Jetty III Land will be renegotiated upon the renewal of the SCT1 Lease Agreement which is due to expire in May 2019. As advised by the management of the Group, according to a recent third party lease transaction of a parcel of land with similar usage in the vicinity indicated the market rent could reach up to approximately HKD230.0 per sq.m. per annum. Based on this level of market rent and assuming the SCT1 Lease Agreement is renewed, the possible annual rental for the Jetty III Land could reach up to approximately HKD46.9 million, which is higher than the estimated amortisation expense of approximately HKD34.4 million as mentioned above.

(b) NAV

Upon completion of the Transactions, Qianhaiwan Property will become a wholly-owned subsidiary of the Company and accordingly all assets and liabilities of Qianhaiwan Property will be consolidated into those of the Group. As the total

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consideration for the acquisitions of Qianhaiwan Property and the Jetty III Land will be at a slight discount to the reassessed NAV of Qianhaiwan Property and the market value of the Jetty III Land, it is expected that there will be a slight increase in the NAV of the Group upon completion of the Transactions.

(c) *Working capital*

The total consideration for the acquisitions of Qianhaiwan Property and the Jetty III Land, including the amount to be paid to Qianhaiwan Property for repayment of amounts due to CMSIZ, CMV and PFYD, of not more than approximately HKD3,957.4 million will be financed by the Group's internal resources. According to the 2016 Interim Report, the Group had cash and bank balances of approximately HKD5,263 million and net current liabilities of approximately HKD468 million as at 30 June 2016. Although the payment of the consideration for the acquisitions of Qianhaiwan Property and the Jetty III Land, including the amount to be paid to Qianhaiwan Property for repayment of amounts due to CMSIZ, CMV and PFYD, is expected to reduce the cash level, the Group would still have adequate cash and bank balances and working capital for its operations in the next twelve months based on the cashflow forecast provided by the management of the Group.

(d) *Gearing*

As at 30 June 2016, the Group's net gearing ratio, being interest-bearing debts divided by total equity, was approximately 23.3%. As the Transactions will be financed by internal resources of the Group with no direct external financings will be required for the Transactions and Qianhaiwan Property had no material interest-bearing debt as at 31 December 2015, the acquisitions of Qianhaiwan Property and the Jetty III Land are not expected to have any material impact on the gearing of the Group.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into the Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the Transactions are fair and reasonable as 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 resolution to be proposed at the EGM to approve the Transactions.

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

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2016 of the property interests held by Qianhaiwan Property and CMSIZ.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

7 November 2016

The Board of Directors
China Merchants Port Holdings Company Limited
38th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with the instructions of China Merchants Port Holdings Company Limited (the “**Company**”) to value the property interests held by Shenzhen China Merchants Qianhaiwan Property Company Limited (“**Qianhaiwan Property**”) and China Merchants Shekou Industrial Zone Holdings Company Limited, (“**CMSIZ**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 August 2016 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest held by Qianhaiwan Property by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

As advised by the Company’s PRC legal advisers – Jun He Law Offices, as restricted by the special land transfer terms, only after obtaining the approval for transfer from the Land and Resources Administration Bureau and changing the Real Estate Title Certificates with restriction on rights to Real Estate Title Certificates without restriction on rights, Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to government for free, property management area and non-proprietary parts) can be transferred and mortgaged (except for the kindergarten of Phase III of the Qianhaiwan Garden) in accordance with laws. Therefore, we have attributed no commercial value to the property.

In valuing the property interest held by CMSIZ, we have adopted the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

As advised by the Company, CMSIZ had not signed any State-owned Land Use Rights Grant Contracts or obtained any Real Estate Title Certificates as at the valuation date. Therefore, we have attributed no commercial value to the property held by CMSIZ.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company, Qianhaiwan Property and CMSIZ and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters. We have been shown copies of title documents including State-owned Land Use Rights Certificates, Construction Work Planning Permits, Construction Work Commencement Permits, Real Estate Title Certificates and other official plans and agreements relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Hui Zhong Law Firm and Jun He Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period in September 2016 by Mr. Michael Yu and Ms. Kay Liao. Mr. Yu and Ms. Liao are Chartered Surveyors/China Certified Real Estate Appraisers and have more than 9 years and 3 years of experience respectively in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

We have had no reason to doubt the truth and accuracy of the information provided to us by Qianhaiwan Property and CMSIZ. We have also sought confirmation from Qianhaiwan Property and CMSIZ that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held by Qianhaiwan Property and CMSIZ in the PRC

No.	Property	Market value in existing state as at 31 August 2016 RMB
1.	The Qianhaiwan Garden located at the junction of Zhenhai Road and Gangcheng Road Nanshan District Shenzhen City Guangdong Province The PRC	No commercial value (note 1)
2.	A parcel of land of Jetty III Land located at the eastern side of Xinghai Avenue Nanshan District Shenzhen City Guangdong Province The PRC	No commercial value (note 2)
	Total:	Nil

Notes:

- As advised by the Company's PRC legal advisers – Jun He Law Offices, as restricted by the special land transfer terms, only after obtaining the approval for transfer from the Land and Resources Administration Bureau and changing the Real Estate Title Certificates with restriction on rights to Real Estate Title Certificates without restriction on rights, Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to government for free, property management area and non-proprietary parts) can be transferred and mortgaged (except for the kindergarten of Phase III of the Qianhaiwan Garden) in accordance with laws. Therefore, we have attributed no commercial value to the property as the property cannot be freely transferred currently. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,865,000,000, assuming the property can be transferred in its existing state by whatever means.
- As at the valuation date, CMSIZ had not signed any State-owned Land Use Rights Grant Contracts or obtained any Real Estate Title Certificates. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB652,000,000, assuming (a) the State-owned Land Use Rights Grant Contracts and the Real Estate Title Certificates have been obtained; (b) the relevant land premium has been fully paid by the grantee; (c) the land use rights of the property have been granted for a term of 50 years commencing from 20 May 1989 and expiring on 19 May 2039; (d) the land use rights of the property is for jetty port use; and (e) the plot ratio of the land use rights of the property is not higher than 1.

VALUATION CERTIFICATE

Property interest held by Qianhaiwan Property in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB														
1.	The Qianhaiwan Garden located at the junction of Zhenhai Road and Gangcheng Road Nanshan District Shenzhen City Guangdong Province The PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 51,790.43 sq.m. and a development complex known as Phases I to IV of the Qianhaiwan Garden which was completed between 2011 and 2013.</p> <p>The property is located at the junction of Zhenhai Road and Gangcheng Road in Nanshan District. The subject area of the property is well-served by public transportation with 30 minutes' driving distance to the city center. The surrounding environment comprises several mega logistics developments and a park.</p> <p>The property has a total gross floor area of approximately 152,296.34 sq.m. The details are set out as below:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Dormitory</td> <td>95,986.01</td> </tr> <tr> <td>Retail</td> <td>16,768.26</td> </tr> <tr> <td>Kindergarten</td> <td>1,921.42</td> </tr> <tr> <td>Public facilities and others</td> <td>2,151.75</td> </tr> <tr> <td>Basement (including 680 car parking spaces)</td> <td>35,468.90</td> </tr> <tr> <td>Total:</td> <td>152,296.34</td> </tr> </tbody> </table> <p>(For the basement portion, please refer to note 4 for details.)</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 30 December 2056 for logistics use.</p>	Usage	Gross Floor Area (sq.m.)	Dormitory	95,986.01	Retail	16,768.26	Kindergarten	1,921.42	Public facilities and others	2,151.75	Basement (including 680 car parking spaces)	35,468.90	Total:	152,296.34	As at the valuation date, portions of the property were leased to various tenants for dormitory, retail, kindergarten and car parking uses, whilst the remaining portion was vacant.	No commercial value
Usage	Gross Floor Area (sq.m.)																	
Dormitory	95,986.01																	
Retail	16,768.26																	
Kindergarten	1,921.42																	
Public facilities and others	2,151.75																	
Basement (including 680 car parking spaces)	35,468.90																	
Total:	152,296.34																	

Notes:

- Pursuant to 4 Construction Land Planning Permits – Shen Gui Xu Nos. ZS-2008-0185, ZS-2008-0186, ZS-2008-0187 and ZS-2008-0188, permission towards the planning of 4 parcels of land (including the property) with a total site area of approximately 51,790.44 sq.m. has been granted to Shenzhen China Merchants Qianhaiwan Property Company Limited (深圳市招商前海灣置業有限公司, “Qianhaiwan Property”).

2. Pursuant to 4 State-owned Land Use Rights Certificates – Shen Fang Di Zi Nos. 4000461239 to 4000461242, the land use rights of 4 parcels (including the land use rights of the property) with a total site area of approximately 51,790.43 sq.m. have been granted to Qianhaiwan Property for a term of 50 years expiring on 30 December 2056 for logistics use. There are special land transfer terms stating that the nature of the land parcels of the property is specified commodity housing of which they should not be transferred, nor be transferred through the equity transfer transactions without the relevant authorities' permission.
3. Pursuant to 4 Real Estate Title Certificates – Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Nos. 0207983, 0215918, 0215920 and 0208821, Building Nos. 1 to 4 of Phase I, Building Nos. 5 to 8 of Phase II, kindergarten and Building Nos. 9 and 10 of Phase III and Building Nos. 11 and 12 of Phase IV of the property with a total gross floor area of approximately 119,345.61 sq.m. are owned by Qianhaiwan Property and the prescribed uses of the aforesaid buildings of the property are dormitory and commercial uses. Furthermore, community center and other public facilities with a total gross floor area of approximately 2,518.17 sq.m. have been transferred to the government for free. The relevant land use rights of the property have been granted to Qianhaiwan Property for a term of 50 years expiring on 30 December 2056 for logistics use. The nature of the land parcels of the property is specified commodity housing of which they should not be transferred, nor be transferred through the equity transfer transactions without the relevant authorities' permission.
4. Pursuant to 4 Construction Work Planning Permits – Shen Gui Jian Xu Zi Nos. ZS-2009-0083, ZS-2009-0084, ZS-2010-0010 and ZS-2010-0011 in favour of Qianhaiwan Property, Phases I to IV of the Qianhaiwan Garden (including the property) with a total gross floor area of approximately 158,809.10 sq.m., inclusive of 680 underground car parking spaces with a total gross floor area of approximately 35,468.90 sq.m., have been approved for construction. Furthermore, community center and other public facilities with a total gross floor area of approximately 2,417.40 sq.m. will be transferred to the government for free after completion.
5. Pursuant to 4 Construction Work Commencement Permits – Nos. 4403020090406001, 44030520090042001, 44030520100083001 and 44030520100093001 in favour of Qianhaiwan Property, permissions by the relevant local authority were given to commence the construction of Phases I to IV of the Qianhaiwan Garden (including the property) with a total gross floor area of approximately 158,809.10 sq.m.
6. Pursuant to 4 Construction Work Completion and Inspection Certificates in favour of Qianhaiwan Property, the construction of Phases I to IV of the Qianhaiwan Garden (including the property) with a total gross floor area of approximately 158,809.10 sq.m. has been completed and passed the inspection acceptance.
7. According to various Tenancy Contracts and supplement agreements, various dormitory and retail units and kindergarten of the property with a total lettable area of approximately 90,059.72 sq.m. were leased to various parties for various terms with expiry dates between 31 August 2016 and 31 August 2024. The total monthly rental as at the valuation date was approximately RMB3,870,000 exclusive of management fees, water and electricity charges.
8. Our valuation has been made on the following basis and analysis:
 - a. We have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the commercial units of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - b. The unit rent of these comparable dormitory units ranges from RMB2 to RMB2.5 per sq.m. per day, retail units on first floor ranges from RMB4 to RMB4.5 per sq.m. per day, kindergarten ranges from RMB1 to RMB2 per sq.m. per day; and

- c. Based on our research on market in the surrounding area of the property, for dormitory portions, the stabilized market yield ranged from 3% to 5%, for retail and kindergarten portions, the stabilized market yield ranged from 4% to 6%, and for car parking portions, the stabilized market yield ranged from 3% to 4% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.5% for the dormitory portions of the property, 5% for the retail and kindergarten portions of the property and 3.5% for car parking spaces as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Jun He Law Offices, which contains, inter alia, the following:
- a. According to the analysis by the Company's PRC legal advisers, the transactions contemplated under the Qianhaiwan Equity Transfer Agreement ("**the transactions**") do not contravene the mandatory provision of laws and regulations. The special land transfer terms mentioned in note 2 contemplated under the relevant agreements, supplementary agreements and Real Estate Title Certificates will not invalidate the Qianhaiwan Equity Transfer Agreement and the transactions contemplated under such agreement because:
- (1) the construction of Qianhaiwan Garden has been completed and, under PRC law, the building ownership right and the land use right have been combined. Therefore it is impossible under PRC law for the occurrence of pure "land transfer" behavior as restricted by the special land transfer terms mentioned in note 2 of the valuation certificate in relation to Qianhaiwan Property; and
 - (2) according to a decision of the Supreme People's Court of the PRC in 2013, the court ruled that a transfer of the equity interest of a property holding company does not necessarily constitute a transfer of land.

On these two basis, the PRC legal adviser is of the opinion that the transactions contemplated under the Qianhaiwan Equity Transfer Agreement does not contravene the PRC laws or the special land transfer term referred to in note 2 of the valuation certificate in relation to Qianhaiwan Property.

- b. The legal opinion that "The use of the land parcels of the property is specified commodity housing of which they should not be transferred, nor be transferred through the equity transfer transactions without the relevant authorities' permission. However, the development and construction of the land parcels have been completed, which means the Qianhaiwan Garden has completed and the real estate rights combining building ownership rights and the land use rights has been formed. Therefore, it is impossible for the occurrence of pure "land transfer" behavior as restricted by the special land transfer terms mentioned in note 2. If after completion of the subject transaction, China Merchants Port Development (Shenzhen) Company Limited ("**CMPDS**") intends to transfer its equity interest in Qianhaiwan Property, subject to the satisfaction of relevant circumstances, the special land transfer terms mentioned in note 2 will not invalidate any future equity transfer agreement signed by CMPDS with other third parties" after completion of the current transaction.
- c. Qianhaiwan Property has obtained relevant construction land planning permits, construction work planning permits and construction work commencement permits in respect of the development and construction of Phases I to IV of the Qianhaiwan Garden in accordance with relevant PRC laws and regulations;
- d. Qianhaiwan Property has obtained the land use rights and the ownership rights of the buildings of Phases I to IV of the Qianhaiwan Garden of the property (except for the part to be transferred to the government for free, property management area and non-proprietary parts). Restricted by the special land transfer terms mentioned in note 2, (1) Qianhaiwan Property has the rights to transfer, lease, mortgage of the land use rights of the property or utilize the land use rights in other economic activity within the land use term mentioned in note 2 in accordance with relevant PRC laws and regulations, the provisions of Shenzhen Government and relevant agreements. (2) After obtaining the approval for transfer from the Land and Resources Administration Bureau and changing the Real Estate Title Certificates with restriction on rights to Real Estate Title

- Certificates without restriction on rights, Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to government for free, property management area and non-proprietary parts) can be transferred and mortgaged (except for the kindergarten of Phase III of the Qianhaiwan Garden) in accordance with laws. (3) Qianhaiwan Property has the rights to lease the property in accordance with laws;
- e. The ownership registration of underground car parking spaces has not been clearly defined in Shenzhen, thus Qianhaiwan Property is unable to apply for the Real Estate Title Certificates of underground car parking spaces, and cannot apply for the transfer and mortgage registration of car parking spaces. Qianhaiwan Property has the rights to legally lease the underground car parking spaces of the property, of which the leasing object and lease term should be in accordance with relevant laws and regulations; and
 - f. Qianhaiwan Property has not applied for the registration of the tenancy contracts in respect of the buildings of the property leased out to various parties and such situation shall not affect the validity of the relevant tenancy contracts.
10. As advised by the Company's PRC legal advisers – Jun He Law Offices, as restricted by the special land transfer terms mentioned in note 2, only after obtaining the approval for transfer from the Land and Resources Administration Bureau and changing the Real Estate Title Certificates with restriction on rights to Real Estate Title Certificates without restriction on rights, Phases I to IV of the Qianhaiwan Garden (except for the part to be transferred to government for free, property management area and non-proprietary parts) can be transferred and mortgaged (except for the kindergarten of Phase III of the Qianhaiwan Garden) in accordance with laws. Therefore, we have attributed no commercial value to the property as the property cannot be freely transferred currently. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,865,000,000, assuming the property can be transferred in its existing state by whatever means.
11. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|---------------------------------------------------------------|-----|
| a. | State-owned Land Use Rights Grant Contract | No |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Real Estate Title Certificate | Yes |
| d. | Construction Land Planning Permit | Yes |
| e. | Construction Work Planning Permit | Yes |
| f. | Construction Work Commencement Permit | Yes |
| g. | Pre-sale Permit | No |
| h. | Construction Work Completion and Inspection Certificate/Table | Yes |

VALUATION CERTIFICATE

Property interest held by CMSIZ in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	A parcel of land of Jetty III Land located at the eastern side of Xinghai Avenue Nanshan District Shenzhen City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 204,027.68 sq.m. which is for jetty port use.</p> <p>The property is located at the eastern side of Xinghai Avenue, near the junction of Xinghai Avenue and Youlian Road in Nanshan District. The subject area of the property is well-served by public transportation with 35 minutes' driving distance to the city center. The surrounding environment comprises several mega logistics developments and port.</p>	As at the valuation date, the property with a site area of approximately 204,027.68 sq.m. was leased to SCT1 for jetty port use.	No commercial value

Notes:

- Pursuant to a Land Use Agreement (土地使用協議書, "Agreement A") dated 28 June 1990 entered into between China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區有限公司, "CMSIZ") and Shekou Container Terminals Limited (蛇口集裝箱碼頭有限公司, "SCT1"), CMSIZ agreed SCT1 to use the property with a site area of approximately 204,027.68 sq.m. The land use term commenced from 20 May 1989 and expired on 19 May 2019.
- Pursuant to Agreement A, CMSIZ charged the land use fee since 1 April 1991 at HKD5 per sq.m. per year. From the fourth year, the land use fee will be increased by 30% every three years and thereafter.
- Pursuant to Agreement A, the plot ratio of the property shall not be higher than 1 and the building density shall not exceed 10%. Furthermore, SCT1 shall be engaged in container terminals business and must operate this business under the provisions of Agreement A, instead of other use, such as dormitory, shopping center or other industrial construction.
- Pursuant to an Agreement relating to the Disposal of Land Issue in Shekou Industrial Zone (關於處理蛇口工業區用地問題的協議, "Agreement B") dated 20 January 2003 entered into between the Planning and Land Resources Bureau of Shenzhen and CMSIZ, the land area of various parcels of land (including the property) of CMSIZ with a total site area of approximately 18,850,000 sq.m. was located at the eastern side of Danan Mountain and Chiwan Mountain Watershed, the southern side of Dongbin Road Centreline, the western side of Shenzhen Bay and the northern side of Jetty III Land.
- Pursuant to Agreement B and related appendixes, the land use rights term of the property commenced from the land use term commencement date. The land use rights term shall not be exceeded the maximum term of land use stipulated by the State Council.

6. Pursuant to Agreement B and related appendixes, with the confirmation of CMSIZ to transfer the land use rights of the property, the State-owned Land Use Rights Grant Contracts of the property which had not been obtained should be signed entered into between the Planning and Land Resources Bureau of Shenzhen and the land users; otherwise, the State-owned Land Use Rights Grant Contracts which also have not been obtained should be signed entered into between the Planning and Land Resources Bureau of Shenzhen and CMSIZ.
7. Pursuant to Agreement B and related appendixes, Agreement B is only for the basis of application for the State-owned Land Use Rights Grant Contracts or the registration of relevant building ownership rights within the particular land area. The specific area and rights of land or buildings will be subject to the State-owned Land Use Rights Grant Contracts or the Real Estate Title Certificates.
8. Our valuation has been made on the following basis and analysis:
- We have made reference to sales prices of land within the locality which has the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB2,700 to RMB10,000 per sq.m. for industrial or logistics uses. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Hui Zhong Law Firm, which contains, inter alia, the following:
- According to the confirmation provided by CMSIZ, CMSIZ has not applied for the registration of real estate ownership rights of the property;
 - According to the opinion provided by the Company's PRC legal advisers, there will be no major legal impediment for SCT1 to sign the State-owned Land Use Rights Grant Contracts with the Planning and Land Resources Bureau. However, the signing of the State-owned Land Use Rights Grant Contracts is subject to policy, market and other factors and may have an uncertainty;
 - According to the opinion provided by the Company's PRC legal advisers, if SCT1 sign the State-owned Land Use Rights Grant Contracts with the Planning and Land Resources Bureau and apply for the registration of real estate ownership rights of the property in accordance with all the relevant conditions and requirements and not being rejected, there should be no major legal impediments for SCT1 to obtain the real estate registration and Real Estate Title Certificates;
 - According to information provided by the Planning and Land Resources Bureau of Shenzhen and the confirmation of CMSIZ, the planning land use of the property is jetty port. According to the opinion of the Company's PRC legal advisers, the maximum land use rights term should be 50 years starting from 20 May 1989 when State-owned Land Resources Bureau and SCT1 enter into the signing of the State-owned Land Use Rights Grant Contracts. The specific land use term is subject to the actual signed State-owned Land Use Rights Grant Contracts; and
 - According to the confirmation provided by CMSIZ, the property is not subject to any warranty, mortgage, sequestration or any other rights, limits and encumbrances.
10. As at the valuation date, CMSIZ had not signed any State-owned Land Use Rights Contracts nor obtained any Real Estate Title Certificates. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB652,000,000, assuming (a) the State-owned Land Use Rights Grant Contracts and the Real Estate Title Certificates have been obtained; (b) the relevant land premium has been fully paid by the grantee; (c) the land use rights of the property have been granted for a term of 50 years commencing from 20 May 1989 and expiring on 19 May 2039; (d) the land use rights of the property is for jetty port use; and (e) the plot ratio of the land use rights of the property is not higher than 1.
11. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|---------------------------------------------------------------|----|
| a. | State-owned Land Use Rights Grant Contract | No |
| b. | State-owned Land Use Rights Certificate | No |
| c. | Real Estate Title Certificate | No |
| d. | Construction Land Planning Permit | No |
| e. | Construction Work Planning Permit | No |
| f. | Construction Work Commencement Permit | No |
| g. | Pre-sale Permit | No |
| h. | Construction Work Completion and Inspection Certificate/Table | No |

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	181,308 (Long position)	0.01%
Mr. LI Kwok Heem John	1,778,225 (Long position)	0.07%
Mr. WANG Hong	360,155 (Long position)	0.01%
Mr. YU Liming	430,134 (Long position)	0.02%
Total	2,749,822 (Long position)	0.11%

(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 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 2015, being the date to which the last published audited consolidated accounts of the Group were made up.

4 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.

5 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)).

6 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.

7 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 2015, 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.

8 QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
Hui Zhong Law Firm	PRC Lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent valuer to provide intermediary consultation and appraisal services, which was commissioned by Company to conduct a fair valuation of the property interests held by Qianhaiwan Property and CMSIZ as at 31 August 2016
Jun He Law Offices	PRC Lawyers
Somerley Capital Limited	a corporation licensed under the SFO 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 Transactions

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, 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.

Each of the experts 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, each of the experts named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2015, 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.

9 MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Leung Chong Shun.
- (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, 17M 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 28 November 2016:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for each of the financial years ended 31 December 2014 and 31 December 2015;
- (iii) the Qianhaiwan Equity Transfer Agreement, the SCT1 Lease Agreement and the Land Use Rights Confirmation Contract;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 to 17 of this circular;
- (v) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 40 of this circular;
- (vi) the valuation reports, by the Independent Valuer, as referred to on pages 41 to 50 of this circular;
- (vii) the written consent from the expert referred to under the paragraph “Qualification and Consent of Expert” in this appendix; and
- (viii) a copy of this circular.

NOTICE OF THE EGM



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 Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m., on Monday, 28 November 2016 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

- A. “**THAT** the equity interest transfer agreement (the “**Qianhaiwan Equity Transfer Agreement**”) dated 14 October 2016 entered into between China Merchants Port Development (Shenzhen) Company Limited as purchaser and 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 as vendor in relation to the sale and purchase of the entire equity interest in Qianhaiwan Property (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 Qianhaiwan Equity Transfer Agreement and any of the transactions contemplated thereunder.”
- B. “**THAT** the land use rights confirmation contract (the “**Land Use Rights Confirmation Contract**”) dated 14 October 2016 entered into between Shekou Container Terminals Limited as purchaser and China Merchants Shekou Industrial Zone Holdings Company Limited as vendor in relation to the sale and purchase of the parcel of land situated at Jetty III Shekou Container Terminal with a total area of 204,027.68 sq.m (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 Land Use Rights Confirmation Contract and any of the transactions contemplated thereunder.”

By Order of the Board
China Merchants Port Holdings Company Limited
Mr. LI Xiaopeng
Chairman

Hong Kong, 7 November 2016

NOTICE OF THE EGM

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 25 November 2016 to 28 November 2016, 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, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 24 November 2016.
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 announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Fu Gangfeng, Mr. Yu Liming, Mr. Wang Hong, Mr. Deng Renjie, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping 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.