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## INSIDE INFORMATION

### MEMORANDUM OF AGREEMENT IN RELATION TO (1) THE PROPOSED SUBSCRIPTION OF MANDATORY CONVERTIBLE BONDS TO BE ISSUED BY TERMINAL LINK AND (2) THE PROPOSED LOAN TO BE GRANTED TO TERMINAL LINK, TO FINANCE THE PROPOSED ACQUISITION

The Company entered into a comprehensive MOA with CMA CGM on 25 November 2019, pursuant to which the Company proposes to subscribe for the Mandatory Convertible Bonds issued by, and to grant the Loan to, Terminal Link for a total amount of up to US\$968 million (equivalent to approximately HK\$7,550.40 million) to finance the Proposed Acquisition by Terminal Link of interests in a portfolio of 10 terminals currently owned by CMA CGM and its affiliates.

The comprehensive MOA reflects the agreement reached on all the main terms and conditions of the Proposed Transaction and the Company and CMA CGM will work together to finalise negotiations and agree on the definitive terms of the Formal Agreements as soon as possible.

**Notwithstanding the MOA is specified to be legally binding, the Proposed Transaction is subject to the entering into of the Formal Agreements which may or may not happen and there is also no obligation for the parties to enter into the Formal Agreements if they fail to reach agreement on the Formal Agreements. Completion of the Proposed Transaction under the Formal Agreements, if entered into, would also be subject to a number of conditions which may or may not be fulfilled. As such, the Proposed Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **BACKGROUND**

As at the date of this announcement, the Company indirectly holds 49% of the share capital and voting rights in Terminal Link while CMA CGM indirectly holds the remaining 51%.

The Board is pleased to announce that on 25 November 2019, the Company entered into a comprehensive MOA with CMA CGM. Pursuant to the MOA, it is contemplated that Terminal Link will acquire interests in a portfolio of 10 terminals (the “**Portfolio**”) from CMA CGM and its affiliates for a total consideration of US\$955,102,041 (equivalent to approximately HK\$7,449,795,920). The Purchase Price will be paid subject to terms and conditions of the MOA and to be further set out in the Formal Agreements. To finance the Proposed Acquisition, the Company proposes to subscribe for the Mandatory Convertible Bonds to be issued by, and provide the Loan to, Terminal Link for a total amount of up to US\$968 million (equivalent to approximately HK\$7,550.40 million).

## **THE MOA**

### **(i) Date**

25 November 2019

### **(ii) Parties**

(a) the Company; and

(b) CMA CGM.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, CMA CGM and its ultimate beneficial owner are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

### **(iii) The Proposed Acquisition**

Pursuant to the MOA, it is contemplated that Terminal Link will acquire the Portfolio from CMA CGM and its affiliates for a total consideration of US\$955,102,041 (equivalent to approximately HK\$7,449,795,920). As the Company owns 49% interest in Terminal Link, the Proposed Acquisition would effectively result in the Company acquiring indirectly 49% of the Portfolio for 49% of the Purchase Price, i.e. US\$468 million (equivalent to approximately HK\$3,650.40 million). In determining the above Purchase Price, the Company

has taken into account various factors, including but not limited to the Portfolio's business performance and locations, and the outlook of the port industry and the macro economy in the relevant regions.

The Proposed Acquisition will be subject to obtaining of all applicable regulatory and third party approvals.

**(iv) Guaranteed Return**

Pursuant to the MOA, it is proposed that the Company will be entitled to the Guaranteed Return provided by CMA CGM which will be determined in accordance with terms of the MOA and further set out in the Formal Agreements.

**(v) The Mandatory Convertible Bonds and the Loan**

The Company proposes to provide to Terminal Link each of the following to finance the Proposed Acquisition:

*(a) Mandatory Convertible Bonds*

The Company will subscribe for the USD-denominated mandatory convertible bonds issued by Terminal Link in an amount up to US\$468 million (equivalent to approximately HK\$3,650.40 million) with coupon rate of 6.0%. Distribution under the Mandatory Convertible Bonds will be paid by Terminal Link through capital increases to the Company.

*(b) Loan*

The Company will also grant to Terminal Link a secured term loan facility of a principal amount of up to US\$500 million (equivalent to approximately HK\$3,900 million) with an interest rate of 6.0% (net of all taxes) with a maturity of 8 years. Interest under the Loan will be funded primarily by way of share capital increases of Terminal Link subscribed by CMA CGM.

At maturity of the Loan, the Loan will be repaid in full to the Company by Terminal Link primarily through a capital increase of Terminal Link subscribed by CMA CGM. Simultaneously, the Company will convert the Mandatory Convertible Bonds into equity of Terminal Link.

Upon the repayment of the Loan and the conversion of the Mandatory Convertible Bonds, the shareholding of Terminal Link will remain unchanged (i.e. CMA CGM will continue to indirectly hold 51% and the Company will continue to indirectly hold 49%).

#### **(vi) Other arrangements in relation to Terminal Link**

While the shareholding of Terminal Link will remain unchanged, it is also proposed that the Existing Terminal Link Shareholders' Agreement shall be amended and restated in accordance with the terms set out in the MOA, to be adopted by Terminal Link upon completion of the Proposed Transaction. The amendments to the Existing Terminal Link Shareholders' Agreement provide for, inter alia, additional rights for the Company in Terminal Link, and additional minority protection to the Company.

It is proposed that the relationship agreement entered into between CMA CGM and the Company on 25 January 2013 relating to various commitments of CMA CGM and the Company regarding future developments shall be extended until the maturity of the Loan.

#### **(vii) Signing of the Formal Agreements**

The comprehensive MOA reflects the agreement reached on all the main terms and conditions of the Proposed Transaction and the Company and CMA CGM will work together to finalise negotiations and agree on the definitive terms of the Formal Agreements as soon as possible. Notwithstanding the MOA is specified as legally binding, there is no obligation on the parties to enter into the Formal Agreements if they fail to reach agreement on the Formal Agreements.

### **INFORMATION ABOUT THE PORTFOLIO**

Upon completion of the Proposed Transaction in accordance with the MOA and the Share Purchase Agreement to be entered into between Terminal Link and CMA CGM, Terminal Link will own various levels of equity interests in a portfolio of 23 terminals serving various regions such as Asia, Europe, Middle-East and the Caribbean.

A summary of the illustrative combined financial statements of the Portfolio for each of the financial years ended 31 December 2017 and 2018, prepared on a proportional combination approach, jointly with CMA CGM, is as follows:

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Net profit before taxation and extraordinary items	9.54 (equivalent to approximately HK\$74.41 million)	9.64 (equivalent to approximately HK\$75.19 million)
Net profit after taxation and extraordinary items	7.24 (equivalent to approximately HK\$56.47 million)	5.12 (equivalent to approximately HK\$39.94 million)

For the avoidance of doubt, the above illustrative figures have been computed based on the aggregated financial statements of relevant entities taking into account their respective economic interests prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the IFRIC Interpretations, or, when unavailable, on best proxies. Head office contribution and accounting adjustments for consolidation have not been factored in.

On the above-mentioned proportional combination approach, the net assets value of the Portfolio, as at 31 December 2018, was approximately US\$339.75 million (equivalent to approximately HK\$2,605.05 million).

## **REASONS FOR THE PROPOSED TRANSACTION**

The core business of the Group includes investment in and/or operation of port and port-related business. The Group has, in recent years, been actively exploring and, as and when deemed appropriate, captured available acquisition opportunities overseas as a pertinent means to effectively add new growth drivers to its existing and sustainably growing ports business.

The Directors are of the view that the Proposed Transaction, which enables the Group to invest in the Portfolio through Terminal Link, is consistent with the Group's strategy and marks a significant step of the Group towards expanding its international footprint.

Pursuant to the Proposed Transaction, Terminal Link shall acquire from CMA CGM a portfolio of geographically-diversified container ports located in Asia, Europe, Middle-East and the Caribbean, each of which has a strong growth potential. In addition, the Directors are of the view that the Group's strategic relationship with CMA CGM through Terminal Link will support the Group's long-term growth and development going forward.

The Group believes that Terminal Link's exposure to terminals in emerging markets and its potential pipeline of new projects present another driver for its volume growth and financial returns in the future.

On the other hand, the Group expects that its existing network of terminal operations in China and globally (and the cargo flow business thereby captured) will potentially complement and supplement the services offered by CMA CGM and Terminal Link, thereby creating synergised benefits not only to the Group, CMA CGM and Terminal Link but also the respective shipping customers of the Group, CMA CGM and Terminal Link.

Taking into account all of the above, the Directors are of the view that the Proposed Transaction and the terms of the MOA are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **GENERAL INFORMATION**

### **(i) The Group**

The core business of the Group includes investment in and/or operation of port and port-related business. The Company is the world's leading port developer, investor and operator, with a comprehensive ports network portfolio spanning six continents and 18 countries and regions. The Group has, in recent years, been actively exploring and, as and when deemed appropriate, captured available acquisition opportunities overseas as a pertinent means to effectively add new growth drivers to its existing and sustainably growing ports business. The principal activities of the Company are ports operation, bonded logistics operation, property development and investment.

### **(ii) CMA CGM**

CMA CGM's principal business activity is container shipping. CMA CGM is the world's fourth largest container shipping group and number one in France. CMA CGM also invests in shipping terminals of some of the world's major ports. Besides, CMA CGM has recently bought Ceva Logistics, a top player in contract logistics and freight management.

### **(iii) Terminal Link**

Terminal Link's principal business activity is the provision of marine terminal services. The Company, through its indirectly wholly-owned subsidiary, China Merchants (Luxembourg) S.à r.l., owns 49% equity interest in Terminal Link and CMA CGM, through its wholly-owned subsidiary, CMA Terminals Holdings SAS, owns 51% equity interest in Terminal Link. As at the date of this announcement, Terminal Link owns various levels of equity interests in 13 terminals located in eight countries across four major continents: France, Morocco, Malta, the United States, the Republic of Cote d'Ivoire, Belgium, Greece and South Korea.

### **LISTING RULES IMPLICATIONS**

The announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

If the Proposed Transaction materialises, the Company expects that it will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The Company will publish further announcement in compliance with the applicable requirements under the Listing Rules upon the signing of the Formal Agreements, if required, and as and when necessary in compliance with the Listing Rules.

**The Board wishes to emphasise that notwithstanding the MOA is specified to be legally binding, the Proposed Transaction is subject to the entering into of the Formal Agreements which may or may not happen, and there is also no obligation for the parties to enter into the Formal Agreements if they fail to reach agreement on the Formal Agreements. Completion of the Proposed Transaction under the Formal Agreements, if signed, would also be subject to a number of conditions which may or may not be fulfilled. As such, the Proposed Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

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

“Amended and Restated Shareholders Agreement”	the amended and restated shareholders agreement in respect of Terminal Link to be entered into by the same parties to the Existing Terminal Link Shareholders’ Agreement to reflect the terms set out in the MOA.
“Board”	the board of Directors of the Company.
“CMA CGM”	CMA CGM SA, a company ( <i>société anonyme</i> ) organised under the laws of France.
“Company”	China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company incorporated in Hong Kong and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.
“connected person”	has the meaning ascribed to this term under Rule 14A.06 of the Listing Rules.
“Directors”	the directors of the Company.
“Existing Terminal Link Shareholders’ Agreement”	the shareholders agreement dated 11 June 2013 between CMA CGM, CMA Terminals Holdings SAS, China Merchants Holdings (International) Company, China Merchants (Luxembourg) S.à r.l. and Terminal Link in respect of Terminal Link.
“Formal Agreements”	the long form agreements to be entered into incorporating the terms of the MOA including the Loan Facility Agreement, the Share Purchase Agreement, terms and conditions for the Mandatory Convertible Bonds, the Amended and Restated Shareholders Agreement and any other agreements or documents in connection with the Proposed Transaction.
“Group”	the Company and its subsidiaries.



“Guaranteed Return”	the return guaranteed by CMA CGM to the Company over a period of 8 years, computed annually by Terminal Link to the Company, to be determined in accordance with the terms of the MOA and further set out in the Formal Agreements.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Loan”	the secured term loan facility of a principal amount of up to US\$500 million (equivalent to approximately HK\$3,900 million) with an interest rate of 6.0% (net of all taxes) with a maturity of 8 years, granted by the Company to Terminal Link.
“Loan Facility Agreement”	the loan facility agreement to be entered into between the Company and CMA CGM in relation to the Loan.
“Mandatory Convertible Bonds”	the USD-denominated mandatory convertible bonds issued by Terminal Link in an amount up to US\$468 million (equivalent to approximately HK\$3,650.40 million) with coupon rate of 6.0%.
“Memorandum of Agreement” or “MOA”	the comprehensive memorandum of agreement dated 25 November 2019 entered into between the Company and CMA CGM in relation to the Proposed Transaction.
“Portfolio”	10 container terminals located in Asia, Europe, Middle-East and the Caribbean that are owned by CMA CGM or its affiliate as to various levels of shareholding.
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan.

“Proposed Acquisition”	the acquisition by Terminal Link of the Portfolio from CMA CGM or any of its affiliates for the Purchase Price.
“Proposed Transaction”	the transaction contemplated under the MOA, including the Proposed Acquisition, provision of the Loan and subscription for the Mandatory Convertible Bonds.
“Purchase Price”	the purchase price for the Proposed Acquisition, being US\$955,102,041 (equivalent to approximately HK\$7,449,795,920).
“Share Purchase Agreement”	the share purchase agreement to be entered into between CMA CGM and Terminal Link in relation to the Proposed Acquisition.
“subsidiary (ies)”	has the meaning ascribed to it under the Listing Rules.
“Terminal Link”	Terminal Link SAS, a company ( <i>société par actions simplifiée</i> ) organised under the laws of France.
“US\$”	United States dollars, the lawful currency of the United States of America.
“%”	per cent.

\* *For identification purpose only*

*For reference only, an exchange rate of US\$1.00 to HK\$7.8 has been used for the conversion of United States dollars into Hong Kong dollars in this announcement.*

By Order of the Board  
**China Merchants Port Holdings Company Limited**  
**Fu Gangfeng**  
*Chairman*

Hong Kong, 25 November 2019

*As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.*