

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Merger, this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser (including tax adviser).

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying forms of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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廈門港務投資運營有限公司
**XIAMEN PORT INVESTMENT
OPERATION CO., LTD.***
(a company incorporated in the People's Republic
of China with limited liability)


廈門國際港務股份有限公司
XIAMEN INTERNATIONAL PORT CO., LTD.*
(a joint stock limited company incorporated in
the People's Republic of China with limited
liability)
(Stock code: 03378)

(1) PROPOSED PRIVATISATION OF XIAMEN INTERNATIONAL PORT BY XIAMEN PORT
INVESTMENT BY WAY OF MERGER BY ABSORPTION OF XIAMEN INTERNATIONAL PORT

(2) PROPOSED WITHDRAWAL OF LISTING

(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING
AND

(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

Financial adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this document.

A letter from the Board is set out on pages 6 to 21 of this document. A letter from the Independent Board Committee to the Independent H Shareholders is set out on pages 22 to 23 of this document. A letter from First Shanghai, the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 24 to 40 of this document.

The notices convening the EGM and the H Shareholders' Class Meeting to be held at 23rd Floor, Conference Room, No. 31 Donggang North Road, Xiamen, the PRC on Friday, 16 September 2022 (i) in relation to the EGM, 9:00 a.m., and (ii) in relation to the H Shareholders' Class Meeting, 10:00 a.m., or immediately following the conclusion of the EGM or any adjournment thereof are contained in this document. Shareholders are advised to read the notices and to complete and return the enclosed forms of proxy for use at the EGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon.

The proxy form for use at the EGM and H Shareholders' Class Meeting is enclosed with this document and is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xipc.com.cn). Whether or not you are able to attend and vote at the EGM and H Shareholders' Class Meeting or any adjournment thereof in person, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon and return them to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) or the Secretariat of the Board of the Company in the PRC (for holders of Domestic Shares), together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting or any adjournment thereof (as the case may be).

Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting or any adjournment thereof should you so wish and in such event, the forms of proxy shall be deemed to be revoked.

This document is jointly issued by the Offeror and the Company.

PRECAUTIONARY MEASURES FOR THE EGM AND H SHAREHOLDERS' CLASS MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM and H Shareholders' Class Meeting:

- (1) Health code checks
- (2) Compulsory temperature screening/checks
- (3) Wearing of surgical face masks
- (4) No provision of refreshments or drinks
- (5) No entry will be allowed to any person who is subject to mandatory quarantine order imposed by the PRC government

Attendees who do not comply with the precautionary measures referred to in (1) to (5) above may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law. Those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

Shareholders and their proxies, if attending the EGM and H Shareholders' Class Meeting in person, must pay attention to and strictly comply with the applicable regulations and requirements in Xiamen, the PRC regarding the declaration of health status, quarantine and observation.

Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

* For identification purposes only

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, references to times and dates in this document are to Hong Kong times and dates.

Latest time for lodging transfers of H Shares in order to be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting	4:30 p.m. on Friday, 9 September 2022
Closure of registers for transfers of Shares for determination of the Shareholders entitled to attend and vote at the EGM and the H Shareholders' Class Meeting	Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive)
Latest time for lodging proxy forms in respect of the EGM	9:00 a.m. on Thursday, 15 September 2022
Latest time for lodging proxy forms in respect of the H Shareholders' Class Meeting	10:00 a.m. on Thursday, 15 September 2022
Record date for Shareholders for the EGM and the H Shareholders for the H Shareholders' Class Meeting	Friday, 16 September 2022
EGM	9:00 a.m. on Friday, 16 September 2022
H Shareholders' Class Meeting	10:00 a.m. on Friday, 16 September 2022, or immediately following the conclusion of the EGM or any adjournment thereof on Friday, 16 September 2022
Announcement of the results of the EGM and the H Shareholders' Class Meeting	by 7:00 p.m. on Friday, 16 September 2022
Expected date for all Conditions to effectiveness to be satisfied	Friday, 16 September 2022
Announcement of the satisfaction of all Conditions to effectiveness, last day for dealings in H Shares and expected date of withdrawal of listing of H Shares	Friday, 16 September 2022
Resumption of registers for transfer of Shares	Monday, 19 September 2022

EXPECTED TIMETABLE

Each of the Offeror and the Company notifies its creditors and makes a public announcement of the Merger pursuant to the PRC Company Law	Within 10 days (for the notice to creditors) i.e. by 26 September 2022 and 30 days (for the announcement) i.e. by 16 October 2022 following the EGM and the H Shareholders' Class Meeting
Last day for dealings in H Shares	Monday, 19 September 2022
Latest time for lodging transfers of H Shares in order to be entitled to receive the Cancellation Price	4:30 p.m. on Thursday, 22 September 2022
Closure of registers of members of the Company (until the Company's deregistration occurs)	From Friday, 23 September 2022 onwards
Announcement that all the Conditions to implementation are satisfied (or waived, as applicable)	Before 8:30 a.m. on Monday, 26 September 2022
Expected date and time of withdrawal of listing of H Shares	4:00 p.m. on Monday, 26 September 2022
Latest date for payment of the Cancellation Price ⁽¹⁾	Thursday, 6 October 2022
End of the period during which creditors may request the Offeror and the Company to pay off their respective indebtedness or provide guarantees	Within 30 days after the receipt of notice by creditors or 45 days after the issue of announcement to creditors (whichever is the latest)

Note:

- (1) Payment of Cancellation Price to H Shareholders will be made by way of cheques, which will be sent by ordinary post at the risk of the persons entitled thereto, and payment of Cancellation Price to Domestic Shareholders (other than Xiamen Port Holding) will be by way of cash payment in Renminbi. In respect of Shia Ning Shipping and Xiamen Qinggong, the time of payment of the Cancellation Price is to be postponed as described in the paragraph headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT" in the "LETTER FROM THE BOARD" in this document.

The Offeror and the Company will jointly publish announcement(s) when or as soon as reasonably practicable after all Conditions to effectiveness of the Merger Agreement have been satisfied and the Conditions to implementation of the Merger have been satisfied or waived, as appropriate.

EXPECTED TIMETABLE

The Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions set out in this document being satisfied or waived, as applicable, and neither the Offeror nor the Company provides any assurance that any or all of the Conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company.

Persons who are in doubt as to the action to take and the implications arising from the Merger should consult their stockbroker, bank manager, solicitor or other professional advisers (including tax adviser regarding the tax consequences of the cancellation of the H Shares and the implementation of the Merger).

IMPORTANT NOTICE

NOTICE TO U.S. HOLDERS OF SHARES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this document following this disclaimer page and you are therefore advised to read this disclaimer page carefully before accessing, reading or making any other use of this document. In, and as a result of, accessing this document you agree, and you are deemed to agree, to be bound by the following terms and conditions.

The Merger will involve the cancellation of the securities of a company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger will be made in the United States pursuant to the applicable U.S. tender offer rules or certain available exemptions or exceptions therefrom and otherwise in accordance with the requirements of the Hong Kong laws. Accordingly, the Merger will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Merger by a U.S. holder of Shares as consideration for the cancellation of its Shares pursuant to the Merger may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Merger, before or during the Offer Period. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, CICC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States and (ii) the Cancellation Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

ACTIONS TO BE TAKEN

Whether or not they are able to attend the EGM or the H Shareholders' Class Meeting (where applicable) in person, the Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the EGM in accordance with the instructions printed thereon and the H Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the H Shareholders' Class Meeting in accordance with the instructions printed thereon as soon as possible, but in any case not later than the following respective times:

- (1) in the case of the form of proxy for use at the EGM, the Shareholders are requested to deposit such form of proxy no later than 9:00 a.m. on Thursday, 15 September 2022 at the Company's registrar for H Shares (in respect of H Shareholders) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or at the Secretariat of the Board of the Company in the PRC (in respect of Domestic Shareholders) at 22nd Floor, No. 31 Donggang North Road, Xiamen, the PRC; and
- (2) in the case of the form of proxy for use at the H Shareholders' Class Meeting, the H Shareholders are requested to deposit such form of proxy no later than 10:00 a.m. on Thursday, 15 September 2022 at the Company's registrar for H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The completion and return of a form of proxy for any of the meetings will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof, should you so wish. In the event that you attend and vote at any of the meetings or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the H Shareholders to attend and vote at the H Shareholders' Class Meeting, the Company's registers of members will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive). During such period, no transfer of Shares will be effected.

Only Shareholders whose names are on the Company's registers of members on Friday, 16 September 2022 are entitled to vote at the relevant meetings. Each Shareholder on the Company's registers of members on Friday, 16 September 2022 is entitled to cast one vote per Share in respect of the Merger in the EGM. Each H Shareholder on the Company's registers of members on Friday, 16 September 2022 is entitled to cast one vote per H Share in respect of the Merger in the H Shareholders' Class Meeting.

An announcement will be made by the Company in relation to the result of EGM and the H Shareholders' Class Meeting. Further announcement(s) will be made before/after the satisfaction or waiver, as appropriate, of the Conditions to effectiveness of the Merger Agreement and Conditions to implementation of the Merger.

DEFINITIONS

In this document, the following expressions have the meanings set out below, unless the context requires otherwise:

“Articles”	the articles of association of the Company (including the rules of procedures for shareholders’ general meetings and the rules of procedures for board meetings);
“Board”	board of Directors;
“business day”	a day on which the Stock Exchange is open for the transaction of business;
“Cancellation Price”	the cancellation price of HK\$2.25 per H Share and RMB1.923795 per Domestic Share payable in cash by the Offeror to the Shareholders (other than Xiamen Port Holding as described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document);
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities;
“CICC group”	CICC and persons controlling, controlled by or under the same control as CICC;
“Company” or “Xiamen International Port”	Xiamen International Port Co., Ltd* (廈門國際港務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed and traded on the Stock Exchange (Stock Code: 03378);
“Conditions”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“Conditions to effectiveness”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“Conditions to implementation”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“Consenting Shareholders”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“Consideration”	the consideration payable by the Offeror for cancellation of the Shares, as detailed in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“CSRC”	the Securities Regulatory Commission of the PRC;
“Declaration Period”	a period commencing on the date on which the Merger is approved at the EGM and (if applicable) the H Shareholders’ Class Meeting and

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	expiring on the fifth (5th) business day from (and including) the aforesaid commencement date, during which any Dissenting Shareholder may declare to exercise its right;
“Delisting Date”	the date on which the listing of the Company on the Stock Exchange has been withdrawn;
“Director(s)”	director(s) of the Company;
“Dissenting Shareholder”	a Shareholder who has validly voted against the resolutions in respect of the Merger at the EGM or (if applicable) the H Shareholders’ Class Meeting and has requested the Company or the Consenting Shareholders to acquire its Shares at a “fair price”;
“Domestic Share(s)”	the domestic shares of the Company, with a RMB denominated par value of RMB1.00 each, representing approximately 63.81% of the issued share capital of the Company as at the Latest Practicable Date;
“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s);
“EGM”	the extraordinary general meeting of the Company to be convened, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;
“Exchange Rate”	the exchange rate of HK\$1:RMB0.85502, which was the central parity rate of RMB to Hong Kong Dollar as at the date of the Joint Announcement as announced by the People’s Bank of China;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Exercise Date”	the date on which the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/ or the Consenting Shareholders) pays cash consideration to Dissenting Shareholders who exercise their right to acquire the Shares held and effectively declared by them at “fair price”, which will be decided and announced by the Company;
“Fujian Port Group”	Fujian Province Port Group Limited Liability Company* (福建省港口集團有限責任公司), a company incorporated in the PRC and controlled by the Fujian SASAC;
“Fujian SASAC”	the State-owned Assets Supervision and Administration Commission of the People’s Government of Fujian Province, which is the authority for supervision and administration of state- owned assets in the Fujian Province;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Stock Exchange, representing approximately 36.19% of the issued share capital of the Company as at the Latest Practicable Date;
“H Shareholder(s)”	the holder(s) of H Shares;

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“H Shareholders’ Class Meeting”	class meeting of the Company to be convened for H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;
“HK\$” or “Hong Kong Dollar”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee established by the Company for the purposes of considering the Merger, which comprises Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang, being all of the independent non-executive Directors;
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Merger;
“Independent H Shareholders”	H Shareholders other than the Offeror, Xiamen Port Holding and their respective concert parties (including Shia Ning Shipping);
“Independent Shareholders”	Shareholders other than the Offeror, Xiamen Port Holding and their respective concert parties (including Shia Ning Shipping);
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 2 June 2022, which states, amongst other things, the proposal of the Merger;
“Last Full Trading Date”	25 May 2022, the last full trading day prior to the suspension of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement;
“Last Trading Date”	26 May 2022, the last trading day prior to the suspension of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement;
“Latest Practicable Date”	19 August 2022, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date”	30 April 2023, being the last date the Pre-Condition, the Conditions to effectiveness and the Conditions to implementation can be satisfied, unless the Offeror and the Company otherwise agree, subject to the consent of the SFC;
“Merger”	the proposed merger by absorption of the Company by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement;
“Merger Agreement”	the merger agreement entered into between the Offeror and the Company on 2 June 2022 in relation to the Merger;
“MoC”	the Ministry of Commerce of the PRC (or its local authority, as applicable);

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“NDRC”	the National Development and Reform Commission of the PRC (or its local authority, as applicable);
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 2 June 2022 (the date of the Joint Announcement) and ending on the Delisting Date or the date on which the Merger is not approved or otherwise lapses, whichever is earlier;
“Offeror” or “Xiamen Port Investment”	Xiamen Port Investment Operation Co., Ltd.* (廈門港務投資運營有限公司), a company incorporated in the PRC with limited liability which is wholly-owned by Xiamen Port Holding;
“Payment Date”	the date of payment of the Consideration to all H Shareholders (other than Shia Ning Shipping) and all Domestic Shareholders (other than Xiamen Qinggong);
“PRC” or “China”	the People’s Republic of China, which for the purposes of this document does not include Hong Kong, the Macau Special Administrative Region and Taiwan unless the context otherwise specifies;
“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time;
“PRC Laws”	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time;
“Pre-Condition”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document;
“Relevant Period”	the period commencing from 2 December 2021 (i.e. the date that is six months prior to the publishing date of the Joint Announcement) and ending on the Latest Practicable Date;
“Right”	the right of any Dissenting Shareholder to request the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) to acquire its Shares at a “fair price” during the Declaration Period;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAFE”	the State Administration of Foreign Exchange of the PRC (or its local authority, as applicable);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time);
“Shareholders”	H Shareholders and Domestic Shareholders;
“Shares”	collectively, H Shares and Domestic Shares;
“Shia Ning Shipping”	Shia Ning Shipping Company Limited (廈鈴船務有限公司), a company incorporated in Hong Kong with limited liability and an

DEFINITIONS

	indirectly wholly-owned subsidiary of Xiamen Port Holding, which directly held approximately 5.18% of the Company's issued share capital as at the Latest Practicable Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time);
“trading day”	a day on which the Stock Exchange is open for dealing or trading in securities;
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended;
“Xiamen Port Holding”	Xiamen Port Holding Group Co., Ltd.* (廈門港務控股集團有限公司), a state-owned enterprise wholly-owned by Fujian Port Group (which is in turn controlled by the Fujian SASAC), which directly and indirectly held (i) 100% of the shares of the Offeror and (ii) approximately 68.32% of the Company's issued share capital, as at the Latest Practicable Date;
“Xiamen Qinggong”	Xiamen Qinggong Group Corporation Limited* (廈門輕工集團有限公司), a state-owned enterprise controlled by the Xiamen SASAC, which directly held approximately 0.67% of the Company's issued share capital as at the Latest Practicable Date;
“Xiamen SASAC”	the State-owned Assets Supervision and Administration Commission of the Xiamen People's Government, which is the authority for supervision and administration of state-owned assets in the city of Xiamen; and
“%”	per cent.

* *For identification purposes only*



廈門國際港務股份有限公司
XIAMEN INTERNATIONAL PORT CO., LTD*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03378)

Executive Directors:

Mr. Cai Liqun (*Chairman*)
Mr. Chen Zhaohui
Mr. Lin Fuguang
Mr. Chen Zhen

Non-executive Directors:

Mr. Chen Zhiping
Ms. Bai Xueqing

Independent non-executive Directors:

Mr. Lin Pengjiu
Mr. Jin Tao
Mr. Ji Wenyuan
Mr. Li Maoliang

Registered address:

No. 439 Gangnan Road
Haicang District
Xiamen City
Fujian Province
The PRC

Principal place of business in Hong Kong:

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

23 August 2022

To the Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF XIAMEN INTERNATIONAL PORT BY
XIAMEN PORT INVESTMENT BY WAY OF
MERGER BY ABSORPTION OF
XIAMEN INTERNATIONAL PORT**

1. INTRODUCTION

On 2 June 2022, the Offeror and the Company published the Joint Announcement to announce that the Offeror and the Company have entered into the Merger Agreement with respect to the Merger. After completion of the Merger, the Company will be merged into, and absorbed by, the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED TRANSACTION

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below, the Offeror will pay in cash the Cancellation Price in the amount of:

- (a) HK\$2.25 per H Share to the H Shareholders; and
- (b) RMB1.923795 per Domestic Share, which is the RMB equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (other

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than Xiamen Port Holding, as described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below).

The aggregate amount of Cancellation Price required to be paid by the Offeror to cancel (i) the H Shares held by H Shareholders and (ii) the Domestic Shares held by the Domestic Shareholders (other than Xiamen Port Holding as described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below) is HK\$2,220,075,000.00 and RMB35,205,448.50 respectively.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will eventually be deregistered in the PRC.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

Parties

- (1) The Offeror; and
- (2) the Company.

Overview of the Merger

Subject to the terms and conditions of the Merger Agreement, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered in the PRC.

Consideration

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Pre-Condition to the Merger Agreement becoming effective”, “Conditions to effectiveness” and “Conditions to implementation” below, the Offeror will pay the Cancellation Price in the amount of (a) HK\$2.25 per H Share to the H Shareholders (where in respect of Shia Ning Shipping, the time of payment to which is to be postponed as described in the paragraph headed “*Payment of Consideration*” below) and (b) RMB1.923795 per Domestic Share, which is the RMB equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (other than Xiamen Port Holding as described below) (where in respect of Xiamen Qinggong, the time of payment to which is to be postponed as described in the paragraph headed “*Payment of Consideration*” below).

Pursuant to the Merger Agreement and subject to the same conditions as stated above, in consideration for the cancellation of its Domestic Shares, Xiamen Port Holding

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will be issued with RMB1.923795 registered capital of the Offeror for each Domestic Share, on the basis of the Cancellation Price for each Domestic Share and the Offeror's audited net asset value as at 31 December 2021. Upon completion of the Merger, the Offeror will remain wholly-owned by Xiamen Port Holding.

Pre-Condition to the Merger Agreement becoming effective

The Merger Agreement is subject to the satisfaction of a pre-condition, being the filing, registration or approval with or by (a) NDRC (if applicable); (b) MoC (if applicable); (c) SAFE (if applicable); and (d) CSRC (if the relevant regulation is implemented and is applicable), and such other applicable governmental approvals in respect of the Merger having been obtained or completed (the "**Pre-Condition**"). Save for the governmental approvals as mentioned in (a), (b) and (c) above, the Offeror is not currently aware of any other applicable governmental approvals which are required in respect of the Merger.

The above Pre-Condition is not waivable and has been fulfilled (as disclosed in the joint announcement dated 16 August 2022 made by the Offeror and the Company).

Conditions to effectiveness

After the Pre-Condition is satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is capable of being waived) (the "**Conditions to effectiveness**"):

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws;
- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders' Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by the Long-stop Date, the Merger Agreement may be

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terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

Conditions to implementation

After the Merger Agreement becomes effective upon satisfaction of the Pre-Condition and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied (the “**Conditions to implementation**”, together with the Conditions to effectiveness, collectively, the “**Conditions**”):

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;
- (2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and
- (3) there being no law, restriction or prohibition of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition (1) above and the Offeror shall be entitled to waive Condition (2) above. Condition (3) above is not capable of being waived. If the above Conditions to implementation are not satisfied or if applicable, waived, by the Long-stop Date, the Merger Agreement will be automatically terminated.

As at the Latest Practicable Date, the Conditions have not yet been fulfilled.

Payment of Consideration

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, if applicable) of the Pre-Condition and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), pay the Consideration to all H Shareholders (other than Shia Ning Shipping as described below) and all Domestic Shareholders (other than Xiamen Qinggong as described below, but including Xiamen Port Holding, the Consideration to which will be in the form of registered capital of the Offeror as described in the paragraph headed “Consideration” above).

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Pursuant to a consent letter issued by Shia Ning Shipping in favour of the Offeror, Shia Ning Shipping: (i) has irrevocably waived the Offeror's obligation to pay the Cancellation Price due to Shia Ning Shipping in cash on the Payment Date, and agreed for the time of payment to be postponed to a later date to be agreed between the Offeror and Shia Ning Shipping; and (ii) agreed that all rights attaching to the H Shares owned by Shia Ning Shipping shall cease to have effect on the Payment Date and be cancelled.

Pursuant to a consent letter issued by Xiamen Qinggong in favour of the Offeror, Xiamen Qinggong: (i) has irrevocably waived the Offeror's obligation to pay the Cancellation Price due to Xiamen Qinggong in cash on the Payment Date, and agreed for the time of payment to be postponed to a later date to be agreed between the Offeror and Xiamen Qinggong; and (ii) agreed that all rights attaching to the Domestic Shares owned by Xiamen Qinggong shall cease to have effect on the Payment Date and be cancelled.

After payment of Consideration has been made to the H Shareholders (other than Shia Ning Shipping) and the Domestic Shareholders (other than Xiamen Qinggong) by or on behalf of the Offeror on the Payment Date, all rights attaching to all H Shares (including those owned by Shia Ning Shipping, as described above) and Domestic Shares (including those owned by Xiamen Qinggong, as described above) shall cease to have effect and the relevant Shares shall be cancelled. The share certificates for all H Shares and Domestic Shares will cease to have effect as documents or evidence of title.

Issuance of Shares, Discloseable Transactions and Dividend

Unless with the prior written consent of the Offeror, the Company shall not: (i) issue any Shares; (ii) carry out any material acquisition or disposal which may constitute a "discloseable transaction" under Chapter 14 of the Listing Rules; or (iii) declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders, in each case from the date of the Merger Agreement to the date of termination of the Merger Agreement or the Delisting Date (whichever is earlier), provided that this shall not apply to any such transactions which have been announced by the Company prior to the date of the Merger Agreement but have not yet been completed. On 25 March 2022, the Company announced a proposal for declaration of final dividend of RMB2.1 cents per Share (tax inclusive) for the year ended

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31 December 2021 payable on or around 29 July 2022. The aforesaid proposal has been approved by Shareholders at the annual general meeting of the Company held on 10 June 2022 and payment of the final dividend has been made accordingly. No adjustment will be made to the Cancellation Price in respect of such final dividend.

Right of a Dissenting Shareholder

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or other Shareholders who have approved the Merger (collectively, the “**Consenting Shareholders**”) to acquire its Shares at a “fair price”.

If any Dissenting Shareholder exercises its right, the Offeror shall at the request of the Company and/or the Consenting Shareholders assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a “fair price”.

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM or (if applicable) the H Shareholders’ Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a shareholder on the share register of the Company since the record date for the EGM and (if applicable) the H Shareholders’ Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and
- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

- (1) such Shareholder has undertaken to the Company to waive its right; or
- (2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; or
- (3) any Share held by such Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained

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written consent or approval obtained from the relevant pledgee, third party or competent authority.

As at the date of this document, no guidance is in place on how the “fair price” will be determined under the PRC laws and therefore no assurance can be given as to any favourable results or outcome to the Dissenting Shareholders who have validly exercised the Right and costs and expenses may be incurred by the Dissenting Shareholders in the process of exercising the Right and determining the “fair price”. For the avoidance of doubt, regardless of when the Dissenting Shareholder exercises the Right, the Dissenting Shareholder will be deemed to have ceased to have any right in respect of the Shares (other than the right to request for consideration pursuant to exercise of the Right) on the date for payment of the Cancellation Price.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination); or
 - (ii) the Conditions to effectiveness not having been satisfied on or before the Long-stop Date;
- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger Agreement which has a material adverse impact on the Merger and such breach is not remedied by the Company within 30 days following written notice from the Offeror; or
- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any

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other agreement related to the Merger Agreement which has a material adverse impact on the Merger and such breach is not remedied by the Offeror within 30 days following written notice from the Company.

In addition, as set out in the paragraphs headed “Pre-Condition to the Merger Agreement Becoming Effective” and “Conditions to implementation” above in this section, the Merger Agreement will be automatically terminated in any of the following circumstances:

- (1) the Pre-Condition is not satisfied by the Long-stop Date; or
- (2) the Conditions to implementation are not satisfied or if applicable, waived, by the Long-stop Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and the Company may only invoke any or all of the conditions (1) to (3) set out in the paragraph headed “Conditions to implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

4. CANCELLATION PRICE

(1) Comparison of value

The Cancellation Price is HK\$2.25 per H Share and RMB1.923795 per Domestic Share (the RMB equivalent of the Cancellation Price of HK\$2.25 per H Share based on the Exchange Rate).

The Cancellation Price per H Share represents:

- (a) a premium of approximately 55.17% over the closing price per H Share of approximately HK\$1.45 on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 97.37% over the closing price per H Share of approximately HK\$1.14 on the Stock Exchange on the Last Full Trading Date;
- (c) a premium of approximately 84.43% over the average closing price of approximately HK\$1.22 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 100.89% over the average closing price of approximately HK\$1.12 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a premium of approximately 150.00% over the average closing price of approximately HK\$0.90 per H Share based on the daily closing prices of H Shares as quoted on the

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Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Date;

- (f) a premium of approximately 155.68% over the average closing price of approximately HK\$0.88 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Date;
- (g) a premium of approximately 158.62% over the average closing price of approximately HK\$0.87 per H Share based on the average closing price of H Shares on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Date;
- (h) a premium of approximately 0.90% over the closing price of approximately HK\$2.23 per H Share on the Stock Exchange on the Latest Practicable Date; and
- (i) a discount of approximately 14.77% to the Company's audited net asset value attributable to the Shareholders per Share of approximately HK\$2.64 as at 31 December 2021, based on the exchange rate of HK\$1:RMB0.81760, being the median exchange rate on 31 December 2021 as announced by SAFE.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, recent and historical prices of the Shares traded on the Stock Exchange and with reference to pricing premium for privatisation transactions in Hong Kong in recent years.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

(2) Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$2.23 on 17 August 2022, 18 August 2022 and 19 August 2022, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.76 on 15 March 2022.

(3) Funding for the Merger

On the basis of (i) the Cancellation Price of HK\$2.25 per H Share and RMB1.923795 per Domestic Share (the RMB equivalent of the Cancellation Price of HK\$2.25 per H Share based on the Exchange Rate), (ii) 986,700,000 H Shares and 1,739,500,000 Domestic Shares in issue as at the Latest Practicable Date, (iii) the payment of the Cancellation Price for 141,264,000 H Shares held directly by Shia Ning Shipping being agreed to be postponed to a later date to be agreed between the Offeror and Shia Ning Shipping as described in the section headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT" above, (iv) the payment of the Cancellation Price for 18,300,000 Domestic Shares held directly by Xiamen Qinggong being agreed to be postponed to a later date to be agreed between the Offeror and Xiamen Qinggong as described in the section headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT" above and (v) the Cancellation Price for 1,721,200,000 Domestic Shares held directly by Xiamen Port Holding being satisfied through the issuance of the registered capital of the Offeror as described in the section headed "3. PRINCIPAL TERMS OF THE MERGER

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AGREEMENT” above, the aggregate amount of Cancellation Price required to be paid by the Offeror to H Shareholders (other than Shia Ning Shipping as described above) to cancel the H shares and to Domestic Shareholders (other than Xiamen Qinggong and Xiamen Port Holding as described above) to cancel the Domestic Shares is HK\$1,902,231,000.00.

Shia Ning Shipping, a wholly-owned subsidiary of Xiamen Port Holding, has undertaken with the Offeror to pay on its behalf the total consideration for cancellation of the H Shares (other than the Cancellation Price payable for the H Shares held directly by Shia Ning Shipping, the payment of which has been agreed by Shia Ning Shipping to be postponed to a later date to be agreed between the Offeror and Shia Ning Shipping, as described above).

The payment of the total consideration will be financed by committed facilities in the aggregate amount of HK\$2,000,000,000 obtained by Shia Ning Shipping from China Merchants Bank Co., Ltd., Sydney Branch and/or internal resources (including intra-group borrowings from Xiamen Port Holding and its subsidiaries).

Settlement of the consideration to which any Shareholder is entitled will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

The Offeror has appointed CICC as its financial adviser in connection with the Merger. CICC is satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror’s obligations in respect of the full implementation of the Merger (excluding the Cancellation Price payable to Shia Ning Shipping and Xiamen Qinggong which the parties have agreed to be paid on a later date and to Xiamen Port Holding in the form of registered capital of the Offeror).

5. REASONS AND BENEFITS OF THE MERGER

The reasons and benefits of the Merger include:

- (1) **The current function of the Company as a listed platform for offshore financing is restricted:** As the Company’s H Shares have been trading at a relatively low price range with sluggish trading volume for most of the time, the ability of the Company to raise funds from the offshore capital markets has come under a certain degree of restriction, making it more difficult to make use of equity financing to provide sources of available funds to finance its business development, and to support the Offeror’s and the Company’s development strategies.
- (2) **The Merger will be favourable to the long-term development of business:** The Company is a core business of Xiamen Port Holding. The Merger will enhance the Offeror’s and Xiamen Port Holding’s comprehensive consolidation and integration of the Company’s operations, giving the Offeror and Xiamen Port Holding more flexibility and higher efficiency in supporting the long-term business development of the Company, which in turn will enable the Offeror and Xiamen Port Holding to realise its own long-term development strategy.
- (3) **The delisting of the H Shares offers the H Shareholders an excellent exit opportunity to dispose of the H Shares in relatively low liquidity with a premium:** The Cancellation Price represents a premium over the market price of H Shares of the

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Company as disclosed in paragraph headed “(1) Comparisons of value” in the section headed “4. CANCELLATION PRICE” above. Therefore, the Merger, if implemented, could offer the H Shareholders a valuable opportunity to immediately realise their investments in the Company with an attractive premium and reallocate the proceeds from the disposal of the H Shares to alternative investment opportunities with more liquidity.

6. FUTURE INTENTION OF THE OFFEROR

After completion of the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror for the current business of the Company as stated in the paragraph headed “Information on the Company” in the section headed “7. INFORMATION OF THE OFFEROR AND THE COMPANY” below to be carried on by the Offeror as the surviving entity.

While the Offeror does not intend to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company) after the Merger, the Offeror does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Offeror.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Company. Following completion of the Merger, the employment contracts of all employees of the Company will continue with the Offeror as the surviving entity (except for staff movements which are part of the normal conduct of business). The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

7. INFORMATION OF THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 17 July 2020. The Offeror is incorporated by Xiamen Port Holding for the purpose of the Merger and its scope of business, as stated in its business licence, includes management as corporate headquarter; information consulting services (except with respect to the category of information for which approval is required); loading, unloading and transportation; and port operations. The Offeror has not carried out any business since its incorporation and does not have any business as at the Latest Practicable Date.

The Offeror is wholly-owned by Xiamen Port Holding, which is in turn wholly-owned by Fujian Port Group (which is itself controlled by the Fujian SASAC).

(2) Information on the Company

The Company, a state-owned enterprise, is a joint stock company incorporated in the PRC with limited liability. The Group is primarily engaged through the relevant terminals in Dongdu port area and Haicang port area of Xiamen, Qingzhou operating area in Fuzhou and Quanzhou port, in (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) comprehensive port logistic services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) trading of merchandise.

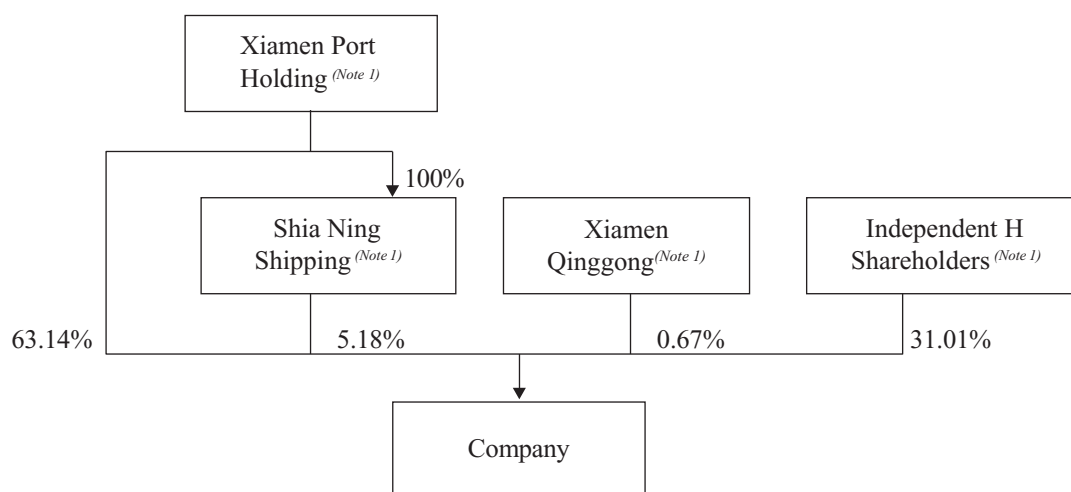
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The Company is owned directly and indirectly as to approximately 68.32% by Xiamen Port Holding, among which, approximately 63.14% is held by Xiamen Port Holding directly and approximately 5.18% by Shia Ning Shipping, an indirect wholly-owned subsidiary of Xiamen Port Holding.

(3) Shareholding in the Company

As at the Latest Practicable Date, relevant securities of the Company in issue comprise 2,726,200,000 Shares, of which 986,700,000 are H Shares and 1,739,500,000 are Domestic Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:



Notes:

1. The Shares directly held by Xiamen Port Holding and Xiamen Qinggong are Domestic Shares. The Shares held by Shia Ning Shipping and the Independent H Shareholders are H Shares.
2. The percentages in the diagram above are expressed as percentages of the total issued Shares of the Company.
3. CICC is the financial adviser to the Offeror in respect of the Merger. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code, excluding the Shares held on behalf of non-discretionary investment clients (for the avoidance of doubt, members of the CICC group which are exempt principal trader(s) or exempt fund manager(s), in each case recognised by the Executive as such for the purposes of the Takeovers Code and connected for the sole reason that they are under the same control as CICC, are not considered to be acting in concert with the Offeror). As at the Latest Practicable Date, except for Shares held on behalf of non-discretionary investment clients and Shares held by member(s) of the CICC group acting in the capacity of exempt principal trader(s) and/or exempt fund manager(s), members of the CICC group did not own or control any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, nor were there any Shares (or convertible securities, warrants, options or derivatives in respect thereof) borrowed or lent, or dealt for value in, by any member of the CICC group during the Relevant Period. Notwithstanding the

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above, Shares held by any such exempt principal traders will not be voted at the EGM or the H Shareholders' Class Meeting unless the Executive allows such Shares to be so voted.

The Executive may allow such voting if:

- (i) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients;
- (ii) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over such Shares;
- (iii) all voting instructions shall originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for such Shares held by such member of the CICC group); and
- (iv) such non-discretionary client is not a concert party of the Offeror.

As at the Latest Practicable Date: (i) the Offeror did not own any Share; and (ii) Xiamen Port Holding, which directly holds and beneficially owns the entire equity interest of the Offeror, directly held and beneficially owned 1,721,200,000 Domestic Shares and, through Shia Ning Shipping, owned 141,264,000 H Shares, representing approximately 63.14% and approximately 5.18% of the voting interests in the Company respectively, and together representing approximately 68.32% of the voting interests in the Company.

As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by the Company.

8. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

On 16 August 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied. As at the Latest Practicable Date, none of the Conditions to effectiveness and Conditions to implementation has been satisfied or (if applicable) waived. Upon satisfaction of all the Conditions to effectiveness, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason. In such cases, no cancellation of the Shares will take place pursuant to the Merger Agreement and the Company's public float will not be affected as a result of the Merger not being approved or otherwise lapses or does not become unconditional.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, consisting of Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang, being all of the independent non-executive

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Directors. Such committee will advise the Independent Shareholders as to: (a) whether the terms of the Merger is fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of or against the Merger at the EGM and the H Shareholders' Class Meeting.

None of the non-executive Directors, namely Mr. Chen Zhiping and Ms. Bai Xueqing, is considered eligible to participate in the Independent Board Committee to advise the Independent Shareholders in respect of the Merger due to the following reasons: (i) Mr. Chen Zhiping is the chairman of Fujian Port Group; and (ii) Ms. Bai Xueqing is the deputy general manager of Xiamen Port Holding.

For the opinions and advice of the Independent Board Committee, please refer to section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document.

First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Merger. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. For the opinions and advice of the Independent Financial Adviser, please refer to section headed "Letter from First Shanghai" in this document.

10. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement and the Merger are conditional on (1) the approval by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders' Class Meeting; and (2) the number of votes cast against the resolution at the H Shareholders' Class Meeting is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.

The H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the registrar of H Shares, Computershare Hong Kong Investor Services Limited, on Friday, 16 September 2022 and who have completed all necessary registration procedures will be entitled to attend the EGM and the H Shareholders' Class Meeting.

(1) Suspension of registration of Share transfers

The register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive) during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or at the Secretariat of the Board of the Company in the PRC at 22nd Floor, No. 31 Donggang North Road, Xiamen, the PRC (for Domestic Shareholders) no later than 4:30 p.m. on Friday, 9 September 2022.

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(2) Proxy forms

Whether or not you intend to attend the EGM or the H Shareholders' Class Meeting, you are strongly urged to indicate your voting instructions and complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish.

(3) Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM and H Shareholders' Class Meeting:

- (i) Health code checks
- (ii) Compulsory temperature screening/checks
- (iii) Wearing of surgical face masks
- (iv) No provision of refreshments or drinks
- (v) No entry will be allowed to any person who is subject to mandatory quarantine order imposed by the PRC government.

Attendees who do not comply with the precautionary measures referred to in (i) to (v) above may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law. Those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

Shareholders and their proxies, if attending the EGM and H Shareholders' Class Meeting in person, must pay attention to and strictly comply with the applicable regulations and requirements in Xiamen, the PRC regarding the declaration of health status, quarantine and observation.

Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

11. TAXATION

(1) Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the cancellation of the H Shares, the cancellation of the Domestic Shares and the subsequent

LETTER FROM THE BOARD

absorption of the Company by the Offeror or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, CICC or First Shanghai, nor their respective directors or any person participating in the proposed transaction, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights.

(2) Hong Kong stamp duty

When the Cancellation Price is paid, the corresponding H Shares will be cancelled. Therefore, the implementation of the Merger does not involve the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.13% of the consideration by each of the seller and the buyer. The stamp duty payable will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

12. RECOMMENDATION

The Board (other than members of the Independent Board Committee, whose views are given in the section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document) is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee on pages 22 to 23 of this document, which contains its recommendations to the Independent H Shareholders in relation to the Merger and (ii) the letter from First Shanghai on pages 24 to 40 of this document, which contains, among other things, its advice to the Independent Board Committee in relation to the Merger.

13. OTHER INFORMATION

In considering what action to take in connection with the Merger, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisors.

You are urged to read carefully the letter from the Independent Board Committee on pages 22 to 23 of this document, the letter from First Shanghai on pages 24 to 40 of this document and all the appendices to this document.

By order of the Board
Xiamen International Port Co., Ltd*
Mr. Cai Liqun
Chairman

* *For identification purposes only*



廈門國際港務股份有限公司
XIAMEN INTERNATIONAL PORT CO., LTD*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03378)

23 August 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED PRIVATISATION OF XIAMEN INTERNATIONAL PORT BY XIAMEN
PORT INVESTMENT BY WAY OF MERGER BY ABSORPTION
OF XIAMEN INTERNATIONAL PORT**
(2) PROPOSED WITHDRAWAL OF LISTING
**(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING
AND**
(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

INTRODUCTION

We refer to the composite document dated 23 August 2022 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent H Shareholders as to whether the terms of the Merger are, or are not, fair and reasonable as to voting.

First Shanghai has been appointed as the Independent Financial Adviser to advise us as to whether or not the terms of the Merger are fair and reasonable so far as the Shareholders are concerned and as to voting. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from First Shanghai on pages 24 to 40 of the Composite Document. We also wish to draw your attention to, and advise you to read, the letter from the Board on pages 6 to 21 of the Composite Document, the letter from First Shanghai on pages 24 to 40 of the Composite Document and the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, as disclosed in Appendix II to the Composite Document, we are independent and do not have any conflict of interest in respect of the Merger and are therefore able to consider the terms of the Merger and to make recommendations to the Independent H Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of First Shanghai as set out in its letter, we concur with the view of First Shanghai and consider the terms of Merger to be fair and reasonable so far as the Independent H Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we concur with the recommendation of First Shanghai, and would recommend the Independent H Shareholders to vote in favour of the Merger.

Notwithstanding our views and recommendation in respect of the terms of the Merger, the Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in doubt, the Shareholders should consult their own professional advisers for professional advice.

Yours faithfully

For and on behalf of

THE INDEPENDENT BOARD COMMITTEE

Mr. Lin Pengjiu

Independent non-executive Director

Mr. Jin Tao

Independent non-executive Director

Mr. Ji Wenyuan

Independent non-executive Director

Mr. Li Maoliang

Independent non-executive Director

* *For identification purposes only*

LETTER FROM FIRST SHANGHAI

The following is the full text of the letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee in relation to the Merger, which has been prepared for the purpose of inclusion in this Composite Document.



First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

23 August 2022

To the Independent Board Committee

Xiamen International Port Co., Ltd
No. 439, Gangnan Road
Haicang District
Xiamen City
Fujian Province
The PRC

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
XIAMEN INTERNATIONAL PORT BY XIAMEN PORT INVESTMENT
BY WAY OF MERGER BY ABSORPTION OF
XIAMEN INTERNATIONAL PORT
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee, which in turn provides recommendation to the Independent Shareholders, in relation to the Merger, details of which are set out in the Composite Document dated 23 August 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

On 2 June 2022, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company agreed to implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. After completion of the Merger, the Company will be merged into, and absorbed by, the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

LETTER FROM FIRST SHANGHAI

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions, the Offeror will pay in cash the Cancellation Price in the amount of:

For each H Share	HK\$2.25 in cash⁽¹⁾
For each Domestic Share	RMB1.923795^{(1) (2)}

Notes:

- 1. The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.*
- 2. The amount is the RMB equivalent of the Cancellation Price of each H Share based on the Exchange Rate.*

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered in the PRC.

On 16 August 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied. As at the Latest Practicable Date, the Conditions have not yet been fulfilled. Upon satisfaction of all the Conditions to effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

As at the Latest Practicable Date, the relevant securities of the Company in issue were 2,726,200,000 Shares, which comprise 986,700,000 H Shares and 1,739,500,000 Domestic Shares. As at the Latest Practicable Date, the Offeror did not own any Share. Xiamen Port Holding, which directly holds and beneficially owns the entire equity interest of the Offeror, directly held and beneficially owned 1,721,200,000 Domestic Shares and, through Shia Ning Shipping, 141,264,000 H Shares, representing approximately 63.14% and 5.18% of the voting interests in the Company, respectively, and together representing approximately 68.32% of the voting interests in the Company.

THE INDEPENDENT BOARD COMMITTEE

The Board has established the Independent Board Committee, consisting of Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang, being all of the independent non-executive Directors, to advise the Independent Shareholders as to (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of or against the Merger at the EGM and the H Shareholders' Class Meeting.

None of the non-executive Directors, namely Mr. Chen Zhiping and Ms. Bai Xueqing, is considered eligible to participate in the Independent Board Committee to advise the Independent Shareholders in respect of the Merger due to the following reasons: (i) Mr. Chen Zhiping is the chairman of Fujian Port Group; and (ii) Ms. Bai Xueqing is the deputy general manager of Xiamen Port Holding.

We, First Shanghai Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee on the Merger, and such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

LETTER FROM FIRST SHANGHAI

OUR INDEPENDENCE

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as independent financial adviser by the Company for the following occasions (collectively, the “**Previous IFA Engagements**”):

- (i) discloseable transactions and connected transactions in relation to the proposed capital increase into a subsidiary as detailed in the circular of the Company dated 31 August 2020;
- (ii) discloseable transaction and connected transaction in relation to the deemed acquisition of equity interest as detailed in the circular of the Company dated 24 November 2020;
- (iii) major transaction and connected transaction regarding the acquisition of the entire equity interest in a company as detailed in the circular of the Company dated 12 November 2021 (the “**Acquisition of Haitong Terminal**”) (together with the very substantial acquisitions and connected transactions regarding the acquisition of the remaining equity interest in a subsidiary in the same circular, the “**2021 Acquisitions**”); and
- (iv) renewal of continuing connected transactions as detailed in the circular of the Company dated 14 December 2021.

Save as disclosed in the above, as at the Latest Practicable Date, we did not have any relationship with, or any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence.

Given (i) our independent roles in the Previous IFA Engagements and this current engagement; (ii) none of the members of our parent group is a direct party to the Merger; and (iii) our fees for the Previous IFA Engagements and this current engagement collectively represented an insignificant percentage of revenue of our parent group, we consider that the Previous IFA Engagements would not affect our independence to form our opinion in respect of the Merger, and that we are independent pursuant to Rule 13.84 of the Listing Rules and our appointment by the Independent Board Committee is in compliance with Rule 2 of the Takeovers Code.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date and up to the end of the Offer Period, the Independent Board Committee and the Independent Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and that the information which we have received is sufficient to enable us to reach our opinion and provide the advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Composite Document were true at the date of the Composite Document. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

Your attention is drawn to the responsibility statements as set out in the section headed “Responsibility statement” of Appendix II to the Composite Document. We, as the Independent

LETTER FROM FIRST SHANGHAI

Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We have not considered the tax implications on the Independent Shareholders involved in the Merger since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

In formulating our opinion, we have also made reference to certain Comparable Companies and Privatisation Precedents (both defined hereafter) for analysis purpose and the relevant information was obtained from the website of the Stock Exchange and Bloomberg. We have not, however, carried out any independent verification of the information available to us regarding the Comparable Companies and the Privatisation Precedents, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the companies involved. Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of information disclosed and confirm, having made all reasonable enquiries that, to the best of their knowledge, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Merger and in giving our recommendations to the Independent Board Committee, which in turn provides recommendation to the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Company, a state-owned enterprise, is a joint stock company incorporated in the PRC with limited liability. The Group is primarily engaged, through the relevant terminals in Dongdu port area and Haicang port area of Xiamen, Qingzhou operating area in Fuzhou and Quanzhou port, Fujian Province, the PRC, in (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) comprehensive port logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) trading of merchandise.

According to the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), (i) the container loading and unloading and storage business (the “**Container Business**”); (ii) the comprehensive port logistics service business; (iii) the bulk/general cargo unloading and unloading business; and (iv) the merchandise trading business (the “**Trading Business**”) accounted for approximately 63%, 20%, 7% and 10% of the total operating profit of the Group for the year ended 31 December 2021, respectively.

LETTER FROM FIRST SHANGHAI

1.1. Historical financial performance of the Group

The following table summarises the consolidated income statement of the Group for each of the years ended 31 December 2019, 2020 and 2021 with reference to the 2021 Annual Report:

	For the year ended 31 December		
	2019	2020	2021
	RMB million (Restated) ⁽¹⁾	RMB million (Restated) ⁽¹⁾	RMB million (Audited)
Revenues	13,933	17,692	25,690
Gross profit	1,271	1,211	1,376
Operating profit	1,139	1,041	1,201
Profit before income tax expense	905	799	984
Profit attributable to owners of the Company	282	268	414

Note:

1. The restatement was due to the Acquisition of Haitong Terminal as detailed in the 2021 Annual Report

(a) Year ended 31 December 2020 compared with year ended 31 December 2019

Revenues increased from approximately RMB13,933 million for the year ended 31 December 2019 to approximately RMB17,692 million for the year ended 31 December 2020, mainly due to the increase in revenues from the Trading Business, which contributed a small amount of operating profit as compared with the Container Business. Despite the outbreak of COVID-19 pandemic (the “**Pandemic**”) had adversely affected the global market, revenues from the Container Business, gross profit, operating profit and profit attributable to owners of the Company for the year ended 31 December 2020 was overall able to maintain at the level of the preceding year.

(b) Year ended 31 December 2021 compared with year ended 31 December 2020

We have reviewed the 2021 Annual Report and we understand, among other things, (i) the global economy continued to recover from the Pandemic; and (ii) the Group took advantage of its overall strengths, actively promoted the integration of container terminal resources and effectively promoted the development of Xiamen port by strengthening marketing efforts. Revenues increased from approximately RMB17,692 million for the year ended 31 December 2020 to approximately RMB25,690 million for the year ended 31 December 2021, mainly due to the increase in revenues from the Trading Business, which contributed a small amount of operating profit as compared with the Container Business. Operating profit increased from approximately RMB1,041 million for the year ended 31 December 2020 to approximately RMB1,201 million for the year ended 31 December 2021, mainly due to the increase in operating profit from the Container Business from approximately RMB629 million for the year ended 31 December 2020 to approximately RMB757 million for the year ended 31 December 2021. As a result, profit attributable to owners of the Company also achieved an increase from approximately RMB268 million for the year ended 31 December 2020 to approximately RMB414 million for the year ended 31 December 2021.

LETTER FROM FIRST SHANGHAI

1.2. Historical financial position of the Group

The following table summarises the consolidated balance sheet of the Group as at 31 December 2021 with reference to the 2021 Annual Report:-

	As at 31 December 2020	As at 31 December 2021
	<i>RMB million</i> <i>(Restated)⁽¹⁾</i>	<i>RMB million</i> <i>(Audited)</i>
Non-current assets	18,603	18,503
Current assets	7,318	7,968
Total assets	25,921	26,471
Non-current liabilities	1,520	4,296
Current liabilities	10,932	11,512
Total liabilities	12,452	15,808
Net assets attributable to owners of the Company	6,715	5,887
Non-controlling interests	6,754	4,776
Net assets	13,469	10,663

Note:

- The restatement was due to the Acquisition of Haitong Terminal as detailed in the 2021 Annual Report*

As at 31 December 2020, (i) the principal assets of the Group were property, plant and equipment, which amounted to approximately RMB12,847 million, and right-of-use assets, which amounted to approximately RMB4,803 million; and (ii) the principal liabilities of the Group were borrowings, which amounted to approximately RMB8,482 million (including current portion of approximately RMB7,604 million and non-current portion of approximately RMB878 million). Net assets attributable to owners of the Company amounted to approximately RMB6,715 million as at 31 December 2020.

As at 31 December 2021, (i) the principal assets of the Group were property, plant and equipment, which amounted to approximately RMB12,857 million, and right-of-use assets, which amounted to approximately RMB4,671 million; and (ii) the principal liabilities of the Group were borrowings, which amounted to approximately RMB11,765 million (including current portion of approximately RMB8,073 million and non-current portion of approximately RMB3,692 million). The increase in non-current borrowings from 31 December 2020 to 31 December 2021 was mainly attributable to (i) the issue of medium-term notes with a term of three years and a total principal amount of RMB1,200 million as disclosed in the announcement of the Company dated 19 April 2021; and (ii) the issue of corporate bonds with a term of five years and a total principal amount of RMB900 million as disclosed in the announcement of the Company dated 21 October 2021. Net assets attributable to owners of the Company amounted to approximately RMB5,887 million as at 31 December 2021.

For further details of the financial information of the Group, please refer to the financial reports and results announcements published by the Company.

LETTER FROM FIRST SHANGHAI

1.3. Prospects of the Group and port business

Despite the financial performance of the Group improved for the year ended 31 December 2021 as compared with that of the preceding years, we have reviewed the 2021 Annual Report and we understand, among other things, (i) the global economic recovery continued, but the continuing evolution of the Pandemic had a significant impact on the global economy, trade and shipping environment; and (ii) the shortage of capacity in the global shipping market, the congestion of ports, and the sluggish international supply chain are still ongoing, and the capacity of the container shipping market in China's domestic trade is insufficient, which will continue to have a continuous impact on the development of the Group's certain businesses at the terminals in Xiamen port.

We have also discussed with and are advised by the Management that the prospects of the Group and port business are driven by, among other factors, the performance of the macroeconomic environment which affects trade volume. In respect of the aforesaid, we have reviewed, among other things, the economic information in the report titled *World Economic Outlook* (the “**IMF Report**”) dated July 2022 (being the latest update available as at the date hereof) published by the International Monetary Fund (國際貨幣基金組織), which is a global organisation with 190 member countries. The following table illustrates the expected performance of the macro-economic environment in terms of annual percentage change of gross domestic product (“**GDP**”) and trade volume.

	For the year ended 31 December					For the year ending 31 December	
	2017	2018	2019	2020	2021	2022F	2023F
World real GDP of which	+3.7%	+3.6%	+2.9%	-3.1%	+6.1%	+3.2%	+2.9%
- PRC	+6.9%	+6.8%	+6.0%	+2.2%	+8.1%	+3.3%	+4.6%
World trade volume	+5.6%	+4.0%	+0.9%	-7.9%	+10.1%	+4.1%	+3.2%

Source: the IMF Report

With reference to the above table, we note that the global macro-economy, including trade volume, was adversely impacted in year 2020, but is recovering from year 2021 onwards. Nonetheless, the expected annual growth of GDP and world trade volume for the years ending 31 December 2022 and 2023 are in general still not higher than those achieved in the years ended 31 December 2017 and 2018, being the period before the outbreak of the Pandemic. According to the IMF Report, (i) several shocks have adversely impacted the world economy which is already weakened by the pandemic, such shocks primarily include higher-than-expected inflation worldwide, a worse-than-anticipated slowdown in the PRC and further negative spillovers from the war in Ukraine (the “**Ukraine Crisis**”); and (ii) lockdowns in the PRC added to global supply chain disruptions and the decline in domestic spending are reducing demand for goods and services from the PRC's trade partners. As the aforementioned analysis was extracted from the IMF Report (July 2022), it is sensible to infer that these factors had been taken into account when the report was prepared.

We have also reviewed the economic information in the report titled *Global Economic Prospects* (the “**World Bank Report**”) dated June 2022 (being the latest update available as at the date hereof) published by the World Bank, which is a global organisation with 189 member countries. The following table illustrates the expected performance of the macro-economic environment in terms of annual percentage change of GDP and trade volume.

LETTER FROM FIRST SHANGHAI

	For the year ended 31 December			For the year ending 31 December		
	2019	2020	2021E	2022F	2023F	2024F
World real GDP of which	+2.6%	-3.3%	+5.7%	+2.9%	+3.0%	+3.0%
- PRC	+6.0%	+2.2%	+8.1%	+4.3%	+5.2%	+5.1%
World trade volume	+1.4%	-8.0%	+10.3%	+4.0%	+4.3%	+3.8%

Source: *the World Bank Report*

With reference to the above table, we understand the projections of the trend of the global macro-economy, including trade volume, by the World Bank is not materially different from the aforementioned projections in the IMF Report. According to the World Bank Report, (i) the Pandemic already dealt a major setback to income growth and poverty reduction in developing countries and the fallout from the Ukraine Crisis compounds the challenges, where recession will be hard to avoid for many countries and the danger of stagflation is considerable; (ii) closures of factories and key ports in the PRC as a result of the Pandemic lockdown pose a significant downside risk to the near-term trade outlook; and (iii) global trade growth is anticipated to slow to approximately 4% in year 2022 as the Ukraine Crisis further disrupts global value chains, where global activity gradually shifts back toward the less trade-intensive service sector, and global trade growth is expected to be moderate in years 2023 and 2024 as global demand for tradable goods continues to decelerate. As the aforementioned analysis was extracted from the World Bank Report (June 2022), it is sensible to infer that these factors had been taken into account when the report was prepared.

Overall, we understand that the Group has made and will continue to make efforts in the continuous development of its core port business, however the prospects of the Group is still clouded by uncertainties mainly because of the ongoing impacts of the Pandemic and the Ukraine Crisis on the macro-economic environment, including world trade volume.

2. Background of the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 17 July 2020. The Offeror is incorporated by Xiamen Port Holding for the purpose of the Merger and its scope of business, as stated in its business licence, includes management as corporate headquarter; information consulting services (except with respect to the category of information for which approval is required); loading, unloading and transportation; and port operations. The Offeror has not carried out any business since its incorporation and does not have any business as at the Latest Practicable Date.

The Offeror is wholly-owned by Xiamen Port Holding, which is in turn wholly-owned by Fujian Port Group (which is itself controlled by the Fujian SASAC).

The Company is owned directly and indirectly as to approximately 68.32% by Xiamen Port Holding, among which, approximately 63.14% is held by Xiamen Port Holding directly and approximately 5.18% by Shia Ning Shipping, an indirect wholly-owned subsidiary of Xiamen Port Holding.

3. The Merger

On 2 June 2022, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company agreed to implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. After completion of the Merger, the Company will be merged into, and absorbed by, the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

LETTER FROM FIRST SHANGHAI

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions, the Offeror will pay in cash the Cancellation Price in the amount of:

For each H Share	HK\$2.25 in cash⁽¹⁾
For each Domestic Share	RMB1.923795⁽¹⁾⁽²⁾

Notes:

- 1. The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.*
- 2. The amount is the RMB equivalent of the Cancellation Price of each H Share based on the Exchange Rate.*

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered in the PRC.

On 16 August 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied. As at the Latest Practicable Date, the Conditions have not yet been fulfilled. Upon satisfaction of all the Conditions to effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

As at the Latest Practicable Date, the relevant securities of the Company in issue were 2,726,200,000 Shares, which comprise 986,700,000 H Shares and 1,739,500,000 Domestic Shares. As at the Latest Practicable Date, the Offeror did not own any Share. Xiamen Port Holding, which directly holds and beneficially owns the entire equity interest of the Offeror, directly held and beneficially owned 1,721,200,000 Domestic Shares and through Shia Ning Shipping, 141,264,000 H Shares, representing approximately 63.14% and 5.18% of the voting interests in the Company, respectively, and together representing approximately 68.32% of the voting interests in the Company.

3.1 Comparisons of value of the Cancellation Price

The Cancellation Price is HK\$2.25 per H Share and RMB1.923795 per Domestic Share (the RMB equivalent of the Cancellation Price of HK\$2.25 per H Share based on the Exchange Rate). The Cancellation Price per H Share represents:

- a premium of approximately 1% over the closing price per H Share of HK\$2.23 as quoted on the Stock Exchange as at the Latest Practicable Date;
- a premium of approximately 55% over the closing price per H Share of approximately HK\$1.45 as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 97% over the closing price per H Share of approximately HK\$1.14 as quoted on the Stock Exchange on the Last Full Trading Date;
- a premium of approximately 84% over the average closing price of approximately HK\$1.22 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- a premium of approximately 101% over the average closing price of approximately HK\$1.12 per H Share based on the daily closing prices of H Shares as quoted on the

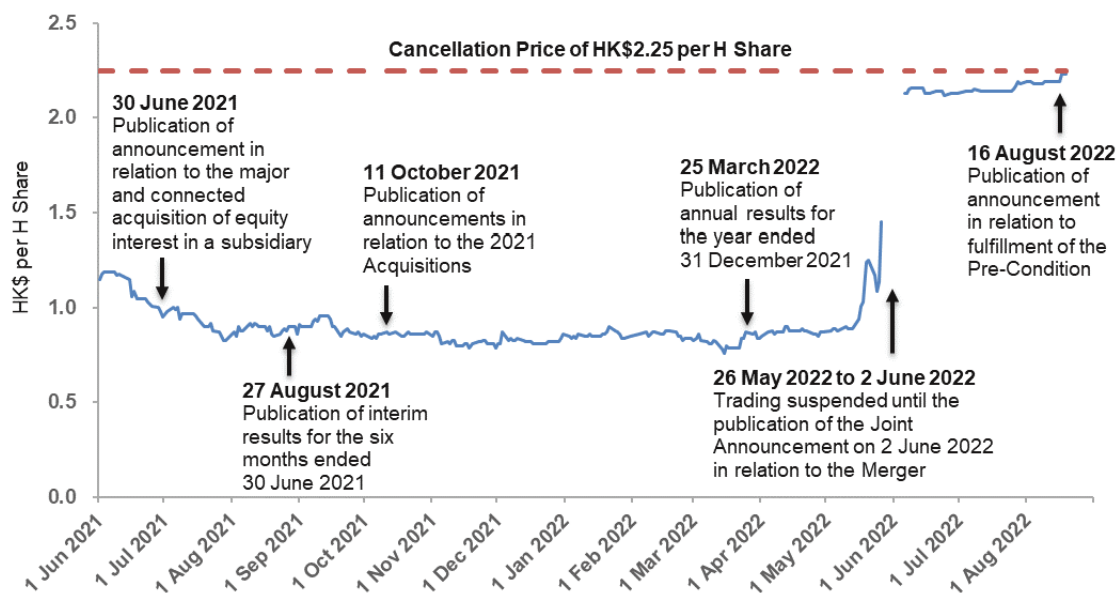
LETTER FROM FIRST SHANGHAI

Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;

- (f) a premium of approximately 150% over the average closing price of approximately HK\$0.90 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Date;
- (g) a premium of approximately 156% over the average closing price of approximately HK\$0.88 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Date;
- (h) a premium of approximately 159% over the average closing price of approximately HK\$0.87 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Date; and
- (i) a discount of approximately 15% to the Company's audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$2.64 as at 31 December 2021, based on the exchange rate of HK\$1: RMB0.81760, being the median exchange rate on 31 December 2021 as announced by SAFE.

Historical price performance of the H Shares

We have reviewed the historical price performance of the H Shares. The chart below depicts the closing prices of the H Shares from 1 June 2021 (being about 12 full calendar months before the date of the Merger Agreement) up to and including the Latest Practicable Date (the “**Review Period**”). Given the duration of the Review Period starting about 12 full calendar months before the date of the Merger Agreement (i) can adequately and fairly reflect the recent market trend of the pricing of the H Shares; and (ii) is in line with the usual market practice for market pricing review, we consider such duration of the Review Period to be fair and representative.



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The closing price of the H Shares was HK\$1.15 per H Share on 1 June 2021 at the beginning of the Review Period. The closing prices demonstrated an overall declining trend in June and July 2021 and reached HK\$0.83 per H Share on 28 July 2021. On 27 August 2021, the interim results announcement of the Company for the six months ended 30 June 2021 was published and the closing prices of the H Shares on that day and the next day were HK\$0.90 per H Share. The closing price further increased and reached HK\$0.96 per H Share on 10 September 2021. Afterwards, the closing prices again demonstrated an overall declining trend and reached the lowest price throughout the Review Period of HK\$0.76 per H Share on 15 March 2022. Since then, the closing prices demonstrated an overall increasing trend, where the closing prices were mainly hovering at around HK\$0.87 per H Share to HK\$0.90 per H Share from 25 March 2022 (being the date of publication of the annual results announcement of the Company for the year ended 31 December 2021) up to 13 May 2022. Afterwards, the closing prices were volatile, which soared from HK\$0.94 per H Share on 16 May 2022 to HK\$1.25 per H Share 20 May 2022 and from HK\$1.09 per H Share on 24 May 2022 to HK\$1.14 per H Share on 25 May 2022 (being the Last Full Trading Date) and further to HK\$1.45 per H Share on 26 May 2022 (being the Last Trading Date). Following the publication of the Joint Announcement, which stated the Cancellation Price of HK\$2.25 per H Share, the closing prices mainly maintained between HK\$2.13 and HK\$2.19 per H Share, and on the Latest Practicable Date, was HK\$2.23 per H Share.

Overall, the average of the closing prices from the beginning of the Review Period up to the Last Full Trading Date was approximately HK\$0.89 per H Share, where the Cancellation Price of HK\$2.25 per H Share represents a significant premium of approximately 153% to such average closing price. In view of the aforesaid, the Independent H Shareholders should note that the sustainability of the current price level, which is attributable to the Merger, is uncertain and the price of the H Shares may fall significantly if the Merger lapses.

Liquidity of the H Shares

As mentioned in the letter from the Board in the Composite Document (the “**Board Letter**”), the Company’s H Shares have been trading at a relatively low price range with sluggish trading volume for most of the time, the ability of the Company to raise funds from the offshore markets has come under a certain degree of restriction, making it harder to finance its business development through equity financing.

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We have reviewed the historical liquidity of the H Shares. The following table sets out the average daily trading volume per month of the H Shares during the Review Period:-

	Average daily trading volume of H Shares during the month	Percentage of average daily trading volume of H Shares to the total number of issued H Shares held by the public ⁽¹⁾	Percentage of average daily trading volume of H Shares to the total number of issued Shares held by the public ⁽²⁾	Percentage of average daily trading volume of H Shares to the total number of issued H Shares	Percentage of average daily trading volume of H Shares to the total number of issued Shares
2021					
June	1,694,020	0.20%	0.20%	0.17%	0.06%
July	1,082,667	0.13%	0.13%	0.11%	0.04%
August	612,000	0.07%	0.07%	0.06%	0.02%
September	899,038	0.11%	0.10%	0.09%	0.03%
October	512,889	0.06%	0.06%	0.05%	0.02%
November	725,792	0.09%	0.08%	0.07%	0.03%
December	939,727	0.11%	0.11%	0.10%	0.03%
2022					
January	591,405	0.07%	0.07%	0.06%	0.02%
February	404,000	0.05%	0.05%	0.04%	0.01%
March	1,464,349	0.17%	0.17%	0.15%	0.05%
April	1,207,672	0.14%	0.14%	0.12%	0.04%
May (up to the Last Trading Date)	8,200,352	0.97%	0.95%	0.83%	0.30%
June	21,738,816	2.57%	2.52%	2.20%	0.80%
July	4,472,657	0.53%	0.52%	0.45%	0.16%
August (up to the Latest Practicable Date)	5,487,487	0.65%	0.64%	0.56%	0.20%

Notes:

1. Excluding the 141,264,000 H Shares held by Shia Ning Shipping.
2. Excluding the 141,264,000 H Shares held by Shia Ning Shipping and the 1,721,200,000 Domestic Shares held by Xiamen Port Holding.

We note from the above table that the trading volume of the H Shares was very thin during the Review Period, where (i) the percentages of the monthly average daily trading volume of the H Shares to the total number of issued H Shares held by the public were mainly below 0.20%; (ii) the percentages of the monthly average daily trading volume of the H Shares to the total number of issued Shares (i.e. the sum of the number of the H Shares and the Domestic Shares) held by the public were mainly below 0.15%; and (iii) the trading volume was relatively slightly higher in May 2022 and June 2022, which was mainly attributable to the exceptionally higher trading volume recorded on the few trading days before and after the announcement of the Merger and such higher trading volume did not sustain afterwards. Accordingly, the Independent H Shareholders may find it difficult to dispose of a large volume of H Shares in the open market without exerting downward pressure on the price of the H Shares. Therefore, the Merger provides a viable alternative exit for the Independent H Shareholders, particularly for those who hold a large volume of H Shares, to immediately realise their investments in the Company.

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Market comparable company analysis

We have identified list of comparable companies (the “**Comparable Companies**”), which are companies (i) listed on the Stock Exchange; and (ii) principally engaged in the provision of services at ports and/or terminals in the PRC. In view of the aforesaid criteria, we consider the list to be exhaustive and fair and representative for the purpose of our comparable analysis. The price to earnings ratio (the “**P/E Ratio**”) and the price to book value ratio (the “**P/B Ratio**”) of the Comparable Companies are set out as follows:-

Company name (stock code)	Principal business	Market capitalisation ⁽¹⁾ <i>(HK\$ million)</i>	P/E Ratio ⁽²⁾ <i>(times)</i>	P/B Ratio ⁽³⁾ <i>(times)</i>
XiangXing International Holding Limited (1732 HK)	Provision of intra-port container transportation services, intra-port ancillary services and container and stone blocks road freight forwarding services.	143	11.38	0.81
Tian Yuan Group Holdings Limited (6119 HK)	Provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services and sales of oil products	231	15.40	0.65
Ocean Line Port Development Limited (8502 HK)	Provision of port logistics services	187	2.77	0.39
Rizhao Port Jurong Co., Ltd. (6117 HK)	Provision of port operation and port-related services	755	3.81	0.27
Tianjin Port Development Holdings Limited (3382 HK)	Provision of containerised and non-containerised cargo handling services, sales and other port ancillary services	3,880	4.20	0.27
Qinhuangdao Port Co., Ltd. (3369 HK)	Provision of integrated port services	6,705	5.47	0.35
Qingdao Port International Co., Ltd. (6198 HK)	Provision of port and port-related services	25,380	5.43	0.62
Liaoning Port Co., Ltd. (2880 HK)	Provision of terminal business and logistics services	16,551	7.32	0.37
COSCO SHIPPING Ports Limited (1199 HK)	Managing and operating terminals and their related businesses	18,897	6.79	0.41
China Merchants Port Holdings Company Limited (144 HK)	Ports operation, bonded logistics operation and property investment	53,983	6.63	0.55
	Maximum:	53,983	15.40	0.81
	Average:	12,671	6.92	0.47
	Median:	5,293	6.05	0.40
	Minimum:	143	2.77	0.27
The Company (3378 HK) (represented by the Cancellation Price)	Container, bulk and general cargo loading and unloading and storage businesses; provision of comprehensive port logistic services; and trading of merchandise	6,134⁽⁴⁾	12.56⁽⁵⁾	0.88⁽⁶⁾

Notes:-

- (1) The market capitalisations are derived from the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Full Trading Date.
- (2) The P/E Ratios are derived from dividing the market capitalisation (based on the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Full Trading Date) by the profit attributable to shareholders for the year ended 31 December 2021.
- (3) The P/B Ratios are derived from dividing the market capitalisation (based on the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Full Trading Date) by the net assets attributable to shareholders as at 31 December 2021.

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- (4) The market capitalisation of the Merger is derived from the total number of issued Shares (including the H Shares and the Domestic Shares) and the Cancellation Price.
- (5) The P/E Ratio of the Merger is derived from dividing the implied market capitalisation (based on the total number of issued Shares as at the Last Full Trading Date and the Cancellation Price) by the profit attributable to owners of the Company for year ended 31 December 2021.
- (6) The P/B Ratio of the Merger is derived from dividing the implied market capitalisation (based on the total number of issued Shares as at the Last Full Trading Date and the Cancellation Price) by the net assets attributable to owners of the Company as at 31 December 2021.
- (7) The exchange rates of HK\$1.00 to RMB0.84785 and US\$1.00 to RMB6.655 (being the central parity rates as of the Last Full Trading Date with reference to the website of the People's Bank of China) are adopted for illustration purpose.

With reference to the above table, we note that the P/E Ratio and the P/B Ratio of the Company represented by the Cancellation Price are well above the large majority of those of the Comparable Companies.

We have also reviewed privatisation precedents of companies listed on the Stock Exchange that were announced and completed (i.e. the company being delisted from the Stock Exchange) within 12 months before the Last Full Trading Date (the “**Privatisation Precedents**”). In view of the aforesaid criteria, we consider the list to be exhaustive and fair and representative for the purpose of our comparable analysis. The following table sets out the details of the Privatisation Precedents.

Company name (stock code)	Initial announcement date of the privatisation proposal	Principal business	Premium of the offer/ cancellation price over closing price per share on last full trading day prior to the publication of initial announcement	Premium of the offer/ cancellation price over average closing price per share for the 30 full trading days prior to the publication of initial announcement	Premium of the offer/ cancellation price over average closing price per share for the 180 full trading days prior to the publication of initial announcement
Bestway Global Holding Inc. (3358 HK)	25 June 2021	Manufacturing and sales of high quality and innovative PVC sporting and leisure products	27%	47%	102%
Beijing Capital Land Ltd. (2868 HK)	9 July 2021	Property development, sales and related business, investment properties and primary land development businesses	63%	127%	123%
Nature Home Holding Company Limited (2083 HK)	27 July 2021	Manufacture and sale of flooring products and customised home decoration products	39%	32%	53%
Good Friend International Holdings Inc. (2398 HK)	12 August 2021	Design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks	50%	62%	28%
Hop Hing Group Holdings Limited (47 HK)	6 September 2021	Operation of quick service restaurants business	74%	71%	66%

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Company name (stock code)	Initial announcement date of the privatisation proposal	Principal business	Premium of the offer/ cancellation price over closing price per share on last full trading day prior to the publication of initial announcement	Premium of the offer/ cancellation price over average closing price per share for the 30 full trading days prior to the publication of initial announcement	Premium of the offer/ cancellation price over average closing price per share for the 180 full trading days prior to the publication of initial announcement
C.P. POKPHAND CO. LTD. (43 HK)	30 September 2021	Production and sale of animal feed; breeding, farming and sale of livestock and aquatic animals; and production and sale of value-added processed food products	20%	27%	28%
Yorkey Optical International (Cayman) Ltd. (2788 HK)	15 October 2021	Manufacturing and sales of digital still cameras, action cameras and copiers	76%	79%	71%
Razer Inc. (1337 HK)	29 October 2021	Design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories	44%	67%	26%
PFC Device Inc. (8231 HK)	11 November 2021	Design, manufacturing and sales of its own branded power discrete semiconductors	75%	89%	63%
Shanghai Jin Jiang Capital Company Limited (2006 HK)	24 November 2021	Operation and management of hotels	57%	78%	86%
Guodian Technology & Environment Group Corporation Limited (1296 HK)	24 January 2022	Research and development, production and sale of wind turbines	108%	96%	122%
		Maximum:	108%	127%	123%
		Average:	58%	70%	70%
		Median:	57%	71%	66%
		Minimum:	20%	27%	26%
The Company (3378 HK) (as represented by the Cancellation Price)	2 June 2022		97%	139%	160%

With reference to the above table, we note that the premium of the Cancellation Price over market trading prices are higher than the large majority of those of the Privatisation Precedents.

The Independent Shareholders should note that the subject companies in the Comparable Companies and the Privatisation Precedents may have different businesses, financial aspects and prospects that are not exactly identical to those of the Company, therefore, the analyses should not be considered on an isolated basis but should be taken into account as a whole with other factors for the assessment of the fairness and reasonableness of the Merger.

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The Independent Shareholders should also note that a valuation of the properties of the Group is excluded from the Composite Document, where the inclusion of such valuation would allow us to perform an additional analysis based on the adjusted net asset value (based on the valuation surplus/deficit) and the adjusted P/B Ratio of the Group, nonetheless, we do not consider the absence of such valuation would affect our recommendation to the Independent Shareholders mainly because (i) our analysis takes into account a basket of factors, particularly the significant premium of the Cancellation Price over the then market price prior to the Last Trading Day; (ii) our P/B Ratio analysis was based on the net asset values of the Comparable Companies as at 31 December 2021 without any revaluation adjustment on the properties of the Comparable Companies; and (iii) the property, plant and equipment of the Group are primarily fixed assets, which include but not limited to port infrastructures and storage infrastructures, for use in the business and general operation of the Group and, as stated in the Board Letter, the Offeror does not intend to introduce any major changes to the existing business of the Company, including any redeployment of the fixed assets of the Company.

Analysis

Despite the Cancellation Price represents a discount to the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2021, after primarily taking into account (i) the Cancellation Price represents a significant premium of approximately 152% over the average of the closing prices from the beginning of the Review Period up to the Last Full Trading Date and 97% over the closing price on the Last Full Trading Date; (ii) the P/E Ratio and the P/B Ratio of the Company represented by the Cancellation Price are well above the large majority of those of the Comparable Companies; and (iii) the premium of the Cancellation Price over market trading prices is higher than the large majority of those of the Privatisation Precedents, we consider the Cancellation Price to be fair and reasonable.

RECOMMENDATION

Taking into consideration of the above-mentioned principal factors and reasons of the Merger, in particular:

- the Cancellation Price being fair and reasonable, in particular, the Cancellation Price represents a significant premium of approximately (i) 152% over the average of the closing prices from the beginning of the Review Period up to the Last Full Trading Date; and (ii) 97% over the closing price on the Last Full Trading Date;
- the sustainability of the current price level, which is attributable to the Merger, is uncertain and the price of the H Shares may fall significantly if the Merger lapses;
- the trading volume of the H Shares was very thin during the Review Period (in particular, the percentages of the monthly average daily trading volume of the H Shares to the total number of issued H Shares held by the public were mainly below 0.20%), where the Independent H Shareholders may find it difficult to dispose of a large volume of H Shares in the open market without exerting downward pressure on the price of the H Shares, therefore the Merger provides a viable alternative exit for the Independent H Shareholders, particularly for those who hold a large volume of H Shares, to immediately realise their investments in the Company; and
- the prospects of the Group is still clouded by uncertainties mainly because of the ongoing impacts of the Pandemic and the Ukraine Crisis,

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we are of the opinion that the terms of the Merger are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent H Shareholders to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting.

We note that the H Shares have been trading at prices below, but close to, the Cancellation Price following the publication of the Joint Announcement. The Independent H Shareholders who are very risk averse may consider selling their H Shares in the market prior to the EGM and H Shareholders' Class Meeting in view of the potential decline in the prevailing market price if the Merger does not proceed. In addition, for the Independent H Shareholders who would vote in favour of the Merger, in the event the market price of the H Share price exceed the Cancellation Price and if the net proceeds from the sale of H Shares in the market exceeds the amount receivable under the Merger, such Independent H Shareholders may consider selling their H Shares in the market.

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or the Consenting Shareholders to acquire its Shares at a "fair price". Such right is not exercisable if the Merger lapses. Further details (including the criteria) of such right are set out under the section headed "Right of a Dissenting Shareholder" of the Board Letter. The Independent H Shareholders should note that no assurance can be given as to (i) the costs that may be incurred by the Dissenting Shareholders for determining the "fair price"; (ii) any favourable results to the Dissenting Shareholders; and (iii) the time required for such process.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional advisers.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Nicholas Cheng
Director

Roger Tang
Vice President

Note: Mr. Nicholas Cheng has been a Responsible Officer and Mr. Roger Tang has been a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Both of them have extensive experience in the corporate finance industry and have participated in, and completed, the provision of independent financial advisory services for numerous transactions involving listed companies in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 published by the Company in accordance with the Listing Rules.

	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December
	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>
Revenues	25,690,112	17,691,738	13,933,106
Profit/(Loss) before income tax expense	983,821	798,541	900,918
Income tax	(214,711)	(210,539)	(232,159)
Profit/(Loss) attributable to:			
Owners of the Company	413,960	267,685	279,684
Non-controlling interests	355,150	320,317	389,075
Profit/(loss) for the year	769,110	588,002	668,759
Total comprehensive income attributable to:			
Owners of the Company	416,608	259,380	282,905
Non-controlling interests	355,150	320,317	389,075
Total comprehensive income for the year	771,758	579,697	671,980
Dividends	57,250	76,334	68,155
Dividends per share (RMB)	0.021	0.028	0.025
Earnings per share for profit attributable to owners of the Company — Basic and diluted (RMB cents)	15.18	9.82	10.26

Notes:

- The relevant financial information represents the restated 2020 financial information as disclosed in the annual report of the Company for the year ended 31 December 2021 as comparative figures to the financial information for the year ended 31 December 2021. The restatement is due to the acquisition of Xiamen Port Haitong Terminal Co., Ltd* (廈門港務海通碼頭有限公司) (“**Xiamen Haitong**”) from Xiamen Port Holding in 2021 (the “**Acquisition**”). Accordingly, the Acquisition has been accounted for as business combinations under common control. The principles of merger accounting for business combination under common control have therefore been applied, pursuant to which the financial information of Xiamen Haitong has been combined in the consolidated financial statements of the Company as if the combination had occurred since its operation in 2010. Such restatements were not due to any change in accounting policies and the relevant extracts are set out in the table above.
- The relevant financial information is extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2019, which has not reflected prior period adjustments in relation to the Acquisition as disclosed in the annual report of the Company for the year ended 31 December 2021, as not all relevant information to be disclosed in the above table for the year ended 31 December 2019 are published as restated financial information in the annual report of the Company for the year ended 31 December 2021. Certain restated 2019 financial information are published in the annual report of the Company for the year ended 31 December 2021 under the section headed “Financial Highlights” in the form of

comparative amounts. For information on the relevant restated comparative amounts, please refer to the Company's annual report for the year ended 31 December 2021.

There are no other items of income or expense which are material for each of the three financial years ended 31 December 2019, 2020 and 2021.

The consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 were audited by PricewaterhouseCoopers. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2019, 2020 and 2021.

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this document the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (1) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (2) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); and (3) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), and significant accounting policies together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out from pages 104 to 228 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) which was published on 23 April 2020 on the websites of the Company (<http://www.xipc.com.cn/upfiles/20200423/6372325949997884354095404.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300887.pdf>)

The 2020 Financial Statements are set out from pages 116 to 236 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) which was published on 22 April 2021 on the websites of the Company (<http://www.xipc.com.cn/upfiles/20210422/6375470778081624174387282.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200875.pdf>).

The 2021 Financial Statements are set out from pages 109 to 240 in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) which was published on 21 April 2022 on the websites of the Company (<http://www.xipc.com.cn/upfiles/20220421/6378615897843368039958824.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100916.pdf>).

The 2019 Financial Statements, the 2020 Financial Statements and the 2021 Financial Statements (but not any other part of the 2019 Annual Report, the 2020 Annual Report and the 2021 Annual Report in which they respectively appear) are incorporated by reference into this document and form part of this document.

3. INDEBTEDNESS STATEMENT**Indebtedness**

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of RMB14,101,950,076, comprising (i) bank borrowings of RMB4,844,082,822 and (ii) debentures of RMB9,257,867,254. Out of the total bank borrowings of RMB4,844,082,822, the balances of RMB554,615,027 were guaranteed by several non-controlling shareholders of certain subsidiaries of the Company respectively; the balances of RMB97,031,872 were secured by the Group's land use rights, RMB70,000,000 were secured by the Group's sea use rights, USD bank borrowings of RMB667,038,107 were secured by USD restrict cash. The remaining balances of bank borrowings were unguaranteed/unsecured. The debentures of RMB9,257,867,254 were unguaranteed/unsecured.

Lease Liabilities

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding lease liabilities of RMB234,149,260 in respect of properties and port equipment, out of which RMB120,100,747 are current portion and RMB114,048,513 are non-current portion. Out of the total lease liabilities of RMB234,149,260, the balances of RMB16,878,061 were secured by port facilities. The remaining of the lease liabilities were unguaranteed/ unsecured.

Contingent Liabilities

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no material contingent liability.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, none of the companies in the Group had, as at the close of business on 31 May 2022, any outstanding loan capital (issued and outstanding or agreed to be issued), bank overdrafts, debentures, loans or other similar indebtedness, mortgages or charges, or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since the close of business on 31 May 2022.

4. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

As at the date of this document, the Offeror's sole director is Mr. Liu Xiang. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than in relation to the Company or the Directors in their capacity as Directors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the date of this document, the board of directors of Xiamen Port Holding comprises Mr. Cai Liquan, Mr. Yang Jinchang, Mr. Zhang Xianwen, Mr. Zheng Cenglin and Ms. Zhou Min. The directors of Xiamen Port Holding jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than in relation to the Company or the Directors in their capacity as Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the date of this document, the Board comprises Mr. Cai Liquan, Mr. Chen Zhaohui, Mr. Lin Fuguang and Mr. Chen Zhen as executive Directors, Mr. Chen Zhiping and Ms. Bai Xueqing as non-executive Directors, and Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang as independent non-executive Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than in relation to the Offeror, Xiamen Port Holding or their respective directors in their respective capacity as directors of the Offeror or Xiamen Port Holding) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Offeror, Xiamen Port Holding or their respective directors in their respective capacity as directors of the Offeror or Xiamen Port Holding) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

2. SHARE CAPITAL OF THE COMPANY

- (1) As at the Latest Practicable Date, the registered share capital of the Company was RMB2,726,200,000, and the total issued share capital of the Company was RMB2,726,200,000, consisting of 986,700,000 H Shares of a par value of RMB1.00 each and 1,739,500,000 Domestic Shares with a par value of RMB1.00 each.
- (2) All Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting.
- (3) There is no option, warrant or conversion right affecting the Shares.
- (4) From 31 December 2021 (i.e. the date on which the Company's previous financial year ends) to the Latest Practicable Date, the Company did not issue any Shares.

3. MARKET PRICES

The table below sets out the closing price of the H Shares on the Stock Exchange on (1) the last business day of each of the calendar months during the Relevant Period, (2) the Last Full Trading Date, (3) the Last Trading Date, and (4) the Latest Practicable Date:

<u>Date</u>	<u>Closing price of each H Share</u> (HK\$)
31 December 2021	0.86
31 January 2022	0.85
28 February 2022	0.84
31 March 2022	0.84
29 April 2022	0.89
25 May 2022 (Last Full Trading Date)	1.14
26 May 2022 (Last Trading Date)	1.45
31 May 2022 ^(Note)	N/A
30 June 2022	2.13
29 July 2022	2.18
19 August 2022 (Latest Practicable Date)	2.23

Note: Trading in the H Shares on the Stock Exchange was halted from 10:00 a.m. on 26 May 2022 pending the release of the Joint Announcement until its resumption at 9:00 a.m. on 6 June 2022.

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$2.23 on 17 August 2022, 18 August 2022 and 19 August 2022, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.76 on 15 March 2022.

4. DISCLOSURE OF INTERESTS IN THE SHARES BY THE COMPANY

(a) Interests of the directors, supervisors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (1) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (2) to be entered in the register required to be kept pursuant to section 352 of the SFO; or (3) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. In addition, as at the latest Practicable Date, none of the Directors, supervisors and chief executives of the Company were interested in any shareholdings in the Company which were to be disclosed pursuant to the Takeovers Code.

(b) Interests of substantial shareholders in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, so far as was known to the Board, no persons (not being a Director, supervisor or chief executive of the Company) had an interest or a short position in the Shares or underlying shares and debentures 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, or which

were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

<u>Name of Shareholder</u>	<u>Class of Shares</u>	<u>Capacity/ Nature of interests</u>	<u>Number of Shares (shares)</u>	<u>Approximate percentage in the relevant class of Shares⁽¹⁾</u>	<u>Approximate percentage in the total share capital⁽²⁾</u>
Fujian Port Group ⁽³⁾	Domestic Shares	Interest of controlled corporation	1,721,200,000 (Long position)	98.95%	63.14%
	H Shares	Interest of controlled corporation	141,264,000 (Long position)	14.32%	5.18%
Xiamen Port Holding ⁽³⁾	Domestic Shares	Beneficial owner	1,721,200,000 (Long position)	98.95%	63.14%
	H Shares	Interest of controlled corporation	141,264,000 (Long position)	14.32%	5.18%
Xiamen Haixia Investment Co., Ltd. ⁽³⁾	H Shares	Interest of controlled corporation	141,264,000 (Long position)	14.32%	5.18%
Shia Ning Shipping ⁽³⁾	H Shares	Beneficial owner	141,264,000 (Long position)	14.32%	5.18%
UBS Group AG ⁽⁴⁾	H Shares	Interest of controlled corporation	95,328,084 (Long position)	9.66%	3.50%
			15,386,883 (Short position)	1.56%	0.56%
JPMorgan Chase & Co. ⁽⁵⁾	H Shares	Interest of controlled corporation	73,237,319 (Long position)	7.42%	2.69%
			13,691,956 (Short position)	1.39%	0.50%

Notes:

- (1) It is calculated on the basis that the Company had issued 1,739,500,00 Domestic Shares and 986,700,000 H Shares as at the Latest Practicable Date.
- (2) It is calculated on the basis that the Company had issued 2,726,200,000 Shares as at the Latest Practicable Date.
- (3) Xiamen Port Holding directly held 1,721,200,000 Domestic Shares, and through its indirectly wholly-owned subsidiary, Shia Ning Shipping, held 141,264,000 H Shares, representing approximately 63.14% and approximately 5.18% of the total issued share capital of the Company, and together accounting for approximately 68.32% of the total issued share capital

of the Company. Xiamen Port Holding is a wholly-owned subsidiary of Fujian Port Group and Shia Ning Shipping is a wholly-owned subsidiary of Xiamen Haixia Investment Co., Ltd.. By virtue of the SFO, each of Xiamen Port Holding and Xiamen Haixia Investment Co., Ltd. is deemed to be interested in the H Shares held by Shia Ning Shipping, and Fujian Port Group is deemed to be interested in the Shares held by Xiamen Port Holding and Shia Ning Shipping.

- (4) The relevant Shares were held by various corporations controlled by UBS Group AG.
- (5) The relevant Shares were held by various corporations controlled by JPMorgan Chase & Co.
- (c) **Additional disclosure of interests**

As at the Latest Practicable Date:

- (i) none of the Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares;
- (ii) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader and exempt fund managers, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (iv) no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (v) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to vote in favour or against the Merger; and
- (vi) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5. DISCLOSURE OF INTERESTS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

As at the Latest Practicable Date:

- (1) the Company did not own any shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror; and
- (2) none of the Directors had any interest in the shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror.

6. DEALINGS IN THE SHARES BY THE COMPANY

- (a) During the Relevant Period, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;
- (b) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and
- (d) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no person between whom there is arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company’s associates by virtue of classes, (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DEALINGS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

8. DISCLOSURE OF INTERESTS IN THE SHARES BY THE OFFEROR

As at the Latest Practicable Date:

- (1) none of the Offeror or the sole director of the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (2) none of the concert parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, excluding Shares held on behalf of non-discretionary investment clients of the CICC group (for the avoidance of doubt, members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code, are not considered to be concert parties of the Offeror), save as disclosed in the sub-paragraph headed “7. Information of the Offeror and the Company — (3) Shareholding in the Company” in the section headed “LETTER FROM THE BOARD”;

- (3) there was no existing holding of voting rights and rights over Shares in respect of which the Offeror, Xiamen Port Holding or any person acting in concert with either of them had received an irrevocable commitment in relation to the voting of the resolutions in respect of the Merger;
- (4) save for the Merger Agreement and the transactions contemplated thereunder, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Merger;
- (5) there was no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror or Xiamen Port Holding was a party which related to the circumstances in which either of them might or might not invoke or seek to invoke a pre-condition or condition of the Merger; and
- (6) none of the Offeror or any of the concert parties of the Offeror had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold.

There was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror, Xiamen Port Holding and any person acting in concert with either of them or (b) the Company, its subsidiaries or associated companies from 13 April 2022 (i.e. the date on which the Merger is reasonably in contemplation) to the Latest Practicable Date.

There is no other consideration, compensation or benefit in any form paid or to be paid by the Offeror, Xiamen Port Holding and any person acting in concert with either of them in relation to the Merger, other than the Cancellation Price and the issue of the Offeror's registered capital.

9. DEALINGS IN THE SHARES BY THE OFFEROR

- (1) None of the Offeror or the sole director of the Offeror or any of the concert parties of the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares (excluding non-proprietary trades conducted by members of the CICC group for and on behalf of clients of the CICC group) during the Relevant Period (for the avoidance of doubt, members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code, are not considered to be concert parties of the Offeror).
- (2) No person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the concert parties of the Offeror had dealt for value in the Shares or any convertible securities, warranties, options or derivatives in respect of the Shares during the Relevant Period.

10. ARRANGEMENTS IN CONNECTION WITH THE MERGER**(1) Arrangements affecting the Directors**

As at the Latest Practicable Date:

- (i) no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Merger;
- (ii) there were no agreements or arrangements between any Director and any other person which was conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and
- (iii) there were no material contracts entered into by the Offeror in which any Director had a material personal interest.

(2) Arrangements with the Company in connection with the Merger

- (i) The emolument of the Directors will not be affected by the Merger or by any associated transactions.
- (ii) As at the Latest Practicable Date, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against (as the case may be) the resolutions in respect of the Merger.

(3) Arrangement with the Offeror in connection with the Merger

- (i) Save as disclosed in paragraph headed “3. Principal Terms of the Merger Agreement” in the section headed “LETTER FROM THE BOARD”, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Merger.
- (ii) Save for the Merger Agreement and the transactions contemplated thereunder, there is no agreement or arrangement to which the Offeror or Xiamen Port Holding is a party which relates to the circumstances in which either of them may or may not invoke or seek to invoke a condition to the Merger.
- (iii) As at the Latest Practicable Date, the Offeror did not have any intention to transfer, charge or pledge any Shares acquired pursuant to the Merger to any other person.
- (iv) As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with the Offeror and any other person.

11. MATERIAL CONTRACTS

The following contracts (being the contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by the Company or any of its subsidiaries within two years before the date of the Joint Announcement and up to and including the Latest Practicable Date, which are or may be material:

- (i) the capital increase agreement dated 5 August 2020 entered into between Xiamen Port Development Co., Ltd* (廈門港務發展股份有限公司) (“**Xiamen Port Development**”, a

- non-wholly owned subsidiary of the Company) and Xiamen Port Holding in respect of their respective contribution of additional capital at a total value of approximately RMB1,526,273,200 into a connected subsidiary of the Group, namely, Xiamen Port Group Shihushan Terminal Co., Ltd* (廈門港務集團石湖山碼頭有限公司) (“**Shihushan Terminal**”), of which the value of the respective capital contribution by Xiamen Port Development and Xiamen Port Holding are approximately RMB1,208,737,100 and approximately RMB317,536,100 (details of which are disclosed in the Company’s announcement dated 5 August 2020 and the Company’s circular dated 31 August 2020);
- (ii) the equity transfer agreement dated 28 October 2020 entered into between Xiamen Port Development and Xiamen Road & Bridge Sunstone Co., Ltd* (廈門路橋翔通股份有限公司) (“**Xiamen Sunstone**”) in respect of the transfer of 95% equity interest in Xiamen Road & Bridge Construction Materials Co., Ltd* (廈門市路橋建材有限公司) (a non-wholly owned subsidiary of the Company) by Xiamen Port Development to Xiamen Sunstone at a consideration of RMB129,580,000 (details of which are disclosed in the Company’s announcement dated 28 October 2020 and the Company’s circular dated 24 November 2020);
- (iii) the subscription agreement dated 28 October 2020 entered into among Xiamen Port Development, Xiamen Sunstone and Xiamen Road & Bridge Construction Group Co., Ltd* (廈門路橋建設集團有限公司) in respect of the subscription of a total of 8,854,000 new shares in Xiamen Sunstone by Xiamen Port Development at a consideration of RMB129,507,458 (details of which are disclosed in the Company’s announcement dated 28 October 2020 and the Company’s circular dated 24 November 2020);
- (iv) the framework agreement dated 30 June 2021 and the formal agreement dated 20 August 2021 both entered into between the Company and New World (Xiamen) Port Investments Limited (“**NWXP**”) in respect of the acquisition of 20% equity interest in a subsidiary of the Company, namely, Xiamen Container Terminal Group Co., Ltd* (廈門集裝箱碼頭集團有限公司) (“**XCTG**”) by the Company from NWXP at a consideration of RMB1,568,000,000 (details of which are disclosed in the Company’s announcements dated 30 June 2021, 20 August 2021 and 8 October 2021 as well as the Company’s circular dated 24 September 2021);
- (v) the equity transfer agreement dated 11 October 2021 entered into between the Company and Xiamen Xiangyu Logistics Group Corporation Limited* (廈門象嶼物流集團有限責任公司) (“**Xiangyu Logistics**”) in respect of the acquisition of 10% equity interest in XCTG by the Company from Xiangyu Logistics at a consideration of RMB796,098,430 (details of which are disclosed in the Company’s announcement dated 11 October 2021 and the Company’s circular dated 12 November 2021);
- (vi) the equity transfer agreement dated 11 October 2021 entered into among the Company, Xiamen ITG Group Corp., Ltd.* (廈門國貿集團股份有限公司) (“**Xiamen ITG**”) and Pointer Investment (Hong Kong) Limited* (寶達投資(香港)有限公司) (“**Pointer Investment**”) in respect of the acquisition of 10% equity interest in XCTG by the Company from Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430 (details of which are disclosed in the Company’s announcement dated 11 October 2021 and the Company’s circular dated 12 November 2021);
- (vii) the equity transfer agreement dated 11 October 2021 entered into between XCTG and Xiamen Port Holding in respect of the acquisition of the entire equity interest in Xiamen

Port Haitong Terminal Co., Ltd* (廈門港務海通碼頭有限公司) by XCTG from Xiamen Port Holding at a consideration of RMB970,588,000 (details of each of which are disclosed in the Company's announcement dated 11 October 2021 and the Company's circular dated 12 November 2021); and

(viii) the Merger Agreement.

12. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

13. EXPERTS' QUALIFICATIONS AND CONSENT

The following are the names and qualifications of the experts whose letter, opinions or advice are contained or referred to in this document:

<u>Name</u>	<u>Qualifications</u>
China International Capital Corporation Hong Kong Securities Limited	the financial adviser to the Offeror, in connection with the Merger, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
First Shanghai Capital Limited	the Independent Financial Adviser, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its opinions, and the references to its name and opinions in the form and context in which they respectively appear.

14. SERVICE CONTRACTS

The following service contract has been entered into by the Director with the Company within six months before the date of commencement of the Offer Period:

<u>Directors</u>	<u>Title</u>	<u>Commencement date of the service contract</u>	<u>Expiry date of the service contract</u>	<u>Fixed remuneration payable</u>	<u>Variable remuneration</u>
Mr. Li Maoliang	Independent non-executive Director	15 March 2022	27 February 2023	RMB120,000 per annum	Nil

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contract with the Company or any of its subsidiaries or associated companies which (1) (including both continuous and fixed-term contracts) had been entered into, or amended within six months before the date of commencement of the Offer Period; (2) was a continuous contract with a

notice period of 12 months or more; (3) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (4) was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

15. OTHER INFORMATION

- (1) The registered address of the Offeror is A Unit of the 9th Floor, No. 437 Gangnan Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone.
- (2) The sole director of the Offeror is Mr. Liu Xiang.
- (3) The principal members of the Offeror's concert group include (i) Xiamen Port Holding; (ii) the Company; and (iii) Shia Ning Shipping. Details (including directors) of the principal members of the Offeror's concert group are as follows:

<u>Name of the principal member</u>	<u>Address</u>	<u>Director(s)</u>
Xiamen Port Holding	25/F, Port Building	Mr. Cai Liqun
	No. 31 Donggang North Road	Mr. Yang Jinchang
	Huli District	Mr. Zhang Xianwen
	Xiamen City	Mr. Zheng Cenglin
	The PRC	Ms. Zhou Min
The Company	Registered address:	Mr. Cai Liqun
	No. 439 Gangnan Road	Mr. Chen Zhaohui
	Haicang District	Mr. Lin Fuguang
	Xiamen City	Mr. Chen Zhen
	Fujian Province	Mr. Chen Zhiping
	The PRC	Ms. Bai Xueqing
		Mr. Lin Pengjiu
	Principal place of business in	Mr. Jin Tao
	Hong Kong:	Mr. Ji Wenyuan
	31/F, Tower Two, Times Square	Mr. Li Maoliang
1 Matheson Street		
Causeway Bay		
Hong Kong		
Shia Ning Shipping	Room 602,	Mr. Song Xiao Jian
	Chung Wai Commercial	Mr. Hu Xiaojin
	Building	Ms. Ye Fang
	447-449 Lockhart Road	Ms. Qiu Xiaoxia
	Causeway Bay	Ms. Xie Xin
Hong Kong		

- (4) CICC is the financial adviser to the Offeror in relation to the Merger and its address is 29/F One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (5) In case of inconsistency, the English version of this document shall prevail over the Chinese version.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this document until the date on which the Offer Period ends (both dates inclusive): (1) on the Company's website at <http://www.xipc.com.cn>; and (2) on the SFC's website at www.sfc.hk:

- (1) the Articles;
- (2) the articles of association of the Offeror;
- (3) the annual reports containing the financial statements of the Company for each of the financial years ended 31 December 2019, 2020 and 2021;
- (4) the letter from the Board, the full text of which is set out in this document from pages 6 to 21;
- (5) the letter from the Independent Board Committee, the full text of which is set out in this document on pages 22 to 23;
- (6) the letter from First Shanghai, the full text of which is set out in this document from pages 24 to 40;
- (7) the material contract(s) referred to in the section headed "11. Material Contracts" in this Appendix II;
- (8) the letters of consent referred to in the section headed "13. Experts' Qualifications and Consent" in this Appendix II;
- (9) the Directors' service contract(s) referred to in the section headed "14. Service Contracts" in this Appendix II; and
- (10) this document.

NOTICE OF EXTRAORDINARY GENERAL MEETING



廈門國際港務股份有限公司 XIAMEN INTERNATIONAL PORT CO., LTD*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03378)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2022

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting in 2022 (the “**EGM**”) of Xiamen International Port Co., Ltd* (the “**Company**”) will be held at 9:00 a.m. on Friday, 16 September 2022 at 23rd Floor, Conference Room, No. 31 Donggang North Road, Xiamen, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document jointly issued by the Company and Xiamen Port Investment Operation Co., Ltd.* (廈門港務投資運營有限公司) (the “**Offeror**”) dated 23 August 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 2 June 2022 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
- (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board
Xiamen International Port Co., Ltd*
Mr. Cai Liqun
Chairman

Xiamen, PRC, 23 August 2022

As at the date of this notice, the Board comprises Mr. Cai Liqun, Mr. Chen Zhaohui, Mr. Lin Fuguang and Mr. Chen Zhen as executive Directors, Mr. Chen Zhiping and Ms. Bai Xueqing as non-executive Directors, and Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang as independent non-executive Directors.

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. In order to determine the shareholders of H Shares who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive) during which period no transfer of the Company's shares will be registered. To be eligible to attend and vote at the EGM, all instruments of transfer accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 9 September 2022. Shareholders whose names are recorded in the register of members of the Company on Friday, 16 September 2022 are entitled to attend the EGM.
2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a shareholder) to attend and vote at the EGM on his or her behalf. The form of proxy shall contain the number of the shares to be represented by the proxy. If several persons are authorised as the proxies of a shareholder, the form of proxy shall specify the number and class of shares to be represented by each proxy. Shareholders are reminded to indicate their voting instructions on the form of proxy.
3. The form of proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of H Shares), or to the Secretariat of the Board of the Company in the PRC at 22nd Floor, No. 31 Donggang North Road, Xiamen, the PRC (for the holders of Domestic Shares) not less than 24 hours prior to the holding of the EGM. If the form of proxy is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the form of proxy, be deposited at the specified place at the time set out in the form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board of directors or other governing bodies may attend the EGM on behalf of the appointer.
6. The Company has the right to request a proxy who attends the EGM on behalf of a shareholder to provide proof of identity. If a legal person shareholder appoints its representative to attend the meeting, the Company is entitled to require the representative to present his own identification document and a notarially certified copy of the resolution or power of attorney authorized by the board of directors or other competent body of such legal person shareholder (except for a recognized clearing house as defined by relevant ordinances in force from time to time in accordance with Hong Kong laws or its proxies).

NOTICE OF H SHAREHOLDERS' CLASS MEETING



廈門國際港務股份有限公司 XIAMEN INTERNATIONAL PORT CO., LTD*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03378)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that an H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Xiamen International Port Co., Ltd* (the "**Company**") will be held at 10:00 a.m. or immediately following the conclusion of the EGM or any adjournment thereof on Friday, 16 September 2022 at 23rd Floor, Conference Room, No. 31 Donggang North Road, Xiamen, the People's Republic of China (the "**PRC**"), for the purpose of considering and, if thought fit, passing the following resolution.

Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document jointly issued by the Company and Xiamen Port Investment Operation Co., Ltd.* (廈門港務投資運營有限公司) (the "**Offeror**") dated 23 August 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 2 June 2022 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
- (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board
Xiamen International Port Co., Ltd*
Mr. Cai Liquan
Chairman

Xiamen, PRC, 23 August 2022

As at the date of this notice, the Board comprises Mr. Cai Liquan, Mr. Chen Zhaohui, Mr. Lin Fuguang and Mr. Chen Zhen as executive Directors, Mr. Chen Zhiping and Ms. Bai Xueqing as non-executive Directors, and Mr. Lin Pengjiu, Mr. Jin Tao, Mr. Ji Wenyuan and Mr. Li Maoliang as independent non-executive Directors.

* For identification purposes only

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

1. In order to determine the shareholders of H Shares who will be entitled to attend and vote at the H Shareholders' Class Meeting, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive) during which period no transfer of the Company's shares will be registered. To be eligible to attend and vote at the H Shareholders' Class Meeting, all instruments of transfer accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 9 September 2022. Shareholders whose names are recorded in the register of members of the Company on Friday, 16 September 2022 are entitled to attend the H Shareholders' Class Meeting.
2. A shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies (whether he/she is a shareholder) to attend and vote at the H Shareholders' Class Meeting on his or her behalf. The form of proxy shall contain the number of the shares to be represented by the proxy. If several persons are authorised as the proxies of a shareholder, the form of proxy shall specify the number and class of shares to be represented by each proxy. Shareholders are reminded to indicate their voting instructions on the form of proxy.
3. The form of proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 24 hours prior to the holding of the H Shareholders' Class Meeting. If the form of proxy is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the form of proxy, be deposited at the specified place at the time set out in the form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board of directors or other governing bodies may attend the H Shareholders' Class Meeting on behalf of the appointer.
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