

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198101278D)

ANNOUNCEMENT

PROPOSED PREFERENTIAL OFFERING OF NEW SHARES TO FUND THE ACQUISITIONS OF THE GUANGXI EXPRESSWAYS

1. INTRODUCTION

- 1.1 Preferential Offering.** The board of directors (the “**Board**” or the “**Directors**”) of China Merchants Holdings (Pacific) Limited (“**CMHP**” or the “**Company**”) wishes to announce that the Company is proposing to undertake a non-renounceable non-underwritten preferential offering (the “**Preferential Offering**”) of up to 633,756,189 new ordinary shares in the capital of the Company (the “**New Shares**”), at an issue price of S\$1.00 for each New Share (the “**Issue Price**”), on the basis of one (1) New Share for every two (2) existing ordinary shares in the capital of the Company (the “**Shares**”) held by Entitled Shareholders (as defined below) as at a time and date to be determined by the Board for the purpose of determining the entitlements of the shareholders of the Company (the “**Shareholders**”) under the Preferential Offering (the “**Books Closure Date**”), fractional entitlements to be disregarded.
- 1.2 SGX-ST Approval.** The Preferential Offering is subject to, *inter alia*, the Company obtaining approval in-principle (“**AIP**”) from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST.
- 1.3 Undertaking.** As at the date of this Announcement, China Merchants Huajian Highway Investment Co., Ltd (the “**Undertaking Shareholder**”) has an indirect interest, through its indirect wholly-owned subsidiary, Easton Overseas Limited (“**Easton**”), in an aggregate of 764,814,750 Shares, representing approximately 65.52 per cent. of the issued share capital of the Company. The Undertaking Shareholder has irrevocably undertaken to the Company (the “**Undertaking**”) that it will, *inter alia*, procure the subscription and payment in full by Easton for (i) 382,407,375 New Shares (the “**Undertaken Pro-rata New Shares**”), representing Easton’s *pro-rata* entitlement to the New Shares under the Preferential Offering and (ii) such number of excess New Shares (the “**Undertaken Excess New Shares**”) which, when aggregated with the Undertaken Pro-rata New Shares, would represent 100 per cent. of the aggregate number of New Shares under the Preferential Offering. Please refer to **paragraph 5** for further details.

2. DETAILS OF THE PREFERENTIAL OFFERING

- 2.1 Basis of Provisional Allotment.** The New Shares are proposed to be offered to Entitled Shareholders at the Issue Price for each New Share on the non-renounceable basis of one (1) New Share for every two (2) Shares held by, or standing to the credit of the Securities Accounts (as defined below) of, Entitled Shareholders as at 5.00 p.m. (Singapore time) on the Books Closure Date. Fractional entitlements are to be disregarded.
- 2.2 Size of the Preferential Offering.** As at the date of this Announcement, there are 1,167,260,937 Shares issued by the Company, HK\$482,000,000 in aggregate principal amount of 1.25 per cent. convertible bonds due 2017 (credit enhanced until 2015) issued by the Company on 6 November 2012 (the “**Convertible Bonds**”) outstanding and 2,205,000 outstanding share options (the “**Share Options**”) under the China Merchants Holdings

(Pacific) Limited Share Option Scheme 2002. Based on the number of Shares in issue as at the date of this Announcement, and assuming that (a) all the conversion rights attaching to the outstanding Convertible Bonds and (b) all the subscription rights attaching to the outstanding Share Options are exercised in full and new Shares are allotted and issued, in each case on or prior to the Books Closure Date, the maximum number of New Shares under the Preferential Offering will be 633,756,189.

2.3 Issue Price. The Issue Price represents a discount of approximately 1.5 per cent. to the closing price of S\$1.015 per Share on the SGX-ST on 30 July 2015, being the last trading day of the Shares on the SGX-ST prior to this Announcement.

2.4 Ranking. The New Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, save for any rights, allotments or other dividends, the record date for which falls before the date of issue of the New Shares.

For the avoidance of doubt, the New Shares will not be entitled to the proposed interim one-tier tax-exempt dividend of S\$0.035 per Share for the financial year ending 31 December 2015 as announced by the Company on 30 July 2015, the record date of which will be announced by the Company in due course and is expected to fall before the date of issue of the New Shares.

2.5 Eligibility to Participate. The Company proposes to provisionally allot the New Shares to all Shareholders who are eligible to participate in the Preferential Offering (the “**Entitled Shareholders**”) comprising Entitled Depositors and Entitled Scripholders (each as defined below).

Entitled Depositors

Shareholders whose Shares are registered in the name of The Central Depository (Pte) Limited (the “**CDP**”) and whose securities accounts with CDP (the “**Securities Accounts**”) are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date (the “**Depositors**”) will be provisionally allotted New Shares on the basis of the number of Shares standing to the credit of their Securities Accounts as at the Books Closure Date if they are Entitled Depositors. “**Entitled Depositors**” are Depositors whose registered addresses with CDP are in Singapore as at the Books Closure Date or who, at least three (3) market days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents.

Entitled Scripholders

A person who is registered as a holder of Shares and whose share certificates are not deposited with CDP (a “**Scripholder**”) will be provisionally allotted New Shares on the basis of the number of Shares registered in the name of such Scripholder in the Register of Members of the Company as at 5.00 p.m. (Singapore time) on the Books Closure Date if he is an Entitled Scripholder. “**Entitled Scripholders**” are Scripholders who have tendered to the Company’s share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the “**Share Registrar**”), valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) market days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents.

Foreign Shareholders

The making of the Preferential Offering may be prohibited or restricted in certain jurisdictions under their relevant securities laws. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the New Shares will not be offered to Shareholders with registered addresses outside of Singapore as at the Books Closure Date and who have not, at least three (3) market days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”). Accordingly, Foreign Shareholders will not be allowed to participate in the Preferential Offering, no New Shares will be provisionally allotted to Foreign Shareholders and no purported acceptance thereof or application therefor by any Foreign Shareholder will be valid.

CPFIS

Shareholders who have previously purchased Shares using their Central Provident Fund (“**CPF**”) account savings (“**CPF Funds**”) under the Central Provident Fund Investment Scheme (“**CPFIS**”) can only use, subject to applicable CPF rules and regulations, their CPF Funds for the payment of the Issue Price to subscribe for their provisional allotments of New Shares and (if applicable) to apply for excess New Shares, subject to applicable CPF rules and regulations. Such Shareholders who wish to accept their provisional allotments of New Shares and (if applicable) apply for excess New Shares using CPF Funds will need to instruct their respective approved CPF agent banks with whom they hold their CPF investment accounts, to accept their provisional allotments of New Shares and (if applicable) apply for excess New Shares on their behalf in accordance with the terms and conditions in the instruction booklet in relation to the Preferential Offering (the “**Instruction Booklet**”).

- 2.6 Provisional Allotments. As the Preferential Offering is made on a non-renounceable basis, the provisional allotments of New Shares cannot be renounced in favour of a third party or traded on the SGX-ST.** Entitled Shareholders may accept or decline, in whole or in part, their provisional allotments of New Shares and will be eligible to apply for additional New Shares in excess of their provisional allotments of New Shares. Entitled Shareholders are prohibited from trading, transferring, assigning or otherwise dealing with (in full or in part) their (a) provisional allotments of New Shares or (b) eligibility to apply for excess New Shares. Each Entitled Shareholder which does not accept and pay for the New Shares provisionally allotted to it in accordance with the terms in the Instruction Booklet shall be deemed to have declined such provisional allotment and the same shall forthwith lapse and become void.

Fractional entitlements to the New Shares will be disregarded in arriving at Entitled Shareholders’ entitlements. Fractional entitlements will, together with the New Shares represented by the provisional allotments of (i) Entitled Shareholders who decline or do not accept their provisional allotments of New Shares and/or (ii) ineligible Shareholders (including Foreign Shareholders), be aggregated and used to satisfy excess applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess New Shares, preference will be given to the rounding of odd lots. Directors and substantial shareholders of the Company (including Easton) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and allotment of excess New Shares.

- 2.7 Acceptance, excess application and payment.** The procedures for acceptance, excess application and payment by Entitled Shareholders will be set out in the Instruction Booklet.

The terms and conditions of the Preferential Offering are subject to such changes as the Directors may deem appropriate. The final terms and conditions of the Preferential Offering will be contained in the Instruction Booklet to be despatched to Entitled Shareholders in due course.

- 2.8 Odd Lots.** Shareholders should note that they are able to trade odd lots in board lots of one Share on the Unit Share Market of the SGX-ST.

3. RATIONALE AND USE OF PROCEEDS

- 3.1 Rationale.** On 23 June 2015, the Company announced (the “**Acquisitions Announcement**”) the proposed acquisitions of three expressways (the “**Acquisitions**”) located in the Guangxi Zhuang Autonomous Region, the People’s Republic of China, by three direct wholly-owned subsidiaries of the Company, Xinan Guixing Expressway Pte. Ltd. (“**Guixing SPV**”), Xinan Guiyang Expressway Pte. Ltd. (“**Guiyang SPV**”) and Xinan Yangping Expressway Pte. Ltd. (“**Yangping SPV**”), pursuant to three conditional share purchase agreements each dated 23 June 2015, details of which are set out below:

- (a) Guixing SPV has agreed to purchase all the issued shares of Guangxi Guixing Expressway Investment and Construction Co., Ltd. (the “**Guixing Target**”), which owns the rights to operate the Guilin – Xing’an Expressway (the “**Guixing Expressway**”), for a consideration of RMB1,258,608,468.58 (approximately HK\$1,588,993,191.58 based on an exchange rate of RMB1.00 : HK\$1.2625) (the “**Guixing Acquisition**”);
- (b) Guiyang SPV has agreed to purchase all the issued shares of Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. (the “**Guiyang Target**”), which owns the rights to operate the Guilin – Yangshuo Expressway the “**Guiyang Expressway**”), for a consideration of RMB930,000,000 (approximately HK\$1,174,125,000 based on an exchange rate of RMB1.00 : HK\$1.2625) (the “**Guiyang Acquisition**”); and
- (c) Yangping SPV has agreed to purchase all the issued shares of Guangxi Huatong Expressway Co., Ltd. (together with the Guixing Target and the Guiyang Target, the “**Targets**”), which owns the rights to operate the Yangshuo – Pingle Expressway (the “**Yangping Expressway**”), for a consideration of RMB848,000,000 (approximately HK\$1,070,600,000 based on an exchange rate of RMB1.00 : HK\$1.2625) (the “**Yangping Acquisition**”).

Consequently, upon the satisfaction or waiver (as the case may be) of the conditions precedent to each of the Acquisitions, the aggregate consideration payable for the Acquisitions is RMB3,036,608,468.58 (approximately HK\$3,833,718,191.58 based on an exchange rate of RMB1.00 : HK\$1.2625). The Company is proposing the Preferential Offering to raise proceeds to fund part of the aggregate consideration payable for the Acquisitions.

Further details of the Acquisitions are set out in the Acquisitions Announcement.

- 3.2 Use of proceeds.** The estimated amount of the proceeds of the Preferential Offering (net of estimated costs and expenses incurred in connection with the Preferential Offering) will be approximately S\$633,000,000.00 (approximately RMB2,872,364,100.00 based on an exchange rate of S\$1.00 : RMB4.5377).

The Company intends to use the entire net proceeds of the Preferential Offering to fund part of the aggregate consideration payable for the Acquisitions.

The Company will make periodic announcements on the utilisation of the proceeds from the Preferential Offering as and when the funds from the Preferential Offering are materially disbursed and provide a status report on the use of the proceeds from the Preferential Offering in the Company's annual report.

Pending the deployment of the net proceeds from the Preferential Offering, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments, or used for any other purposes on a short-term basis, as the Directors may in their absolute discretion deem fit.

4. UPDATED FINANCIAL EFFECTS OF THE ACQUISITIONS

4.1 The Acquisitions on an Aggregate Basis. The updated pro forma financial effects of the Acquisitions (on an aggregate basis and after taking into account the terms of the Preferential Offering) on the share capital, net asset value ("**NAV**") per Share, net tangible asset ("**NTA**") per Share, earnings per Share ("**EPS**"), gearing and working capital of CMHP and its subsidiaries (the "**CMHP Group**") are set out below.

(a) **Bases and Assumptions.** The pro forma financial effects for the Acquisitions have been prepared based on the audited consolidated financial statements of the CMHP Group adjusted for the bonus issue of 54,740,985 new Shares to entitled Shareholders on 2 June 2015 (the "**Bonus Issue**") and the audited financial statements of each of the Targets for the financial year ended 31 December 2014 ("**FY2014**"), which have been prepared on a going concern basis, and are purely **for illustration purposes only and do not reflect the future actual financial position of the CMHP Group following the Acquisitions**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) that the Acquisitions had been effected on 31 December 2014 for illustrating the financial effects on the consolidated share capital, NAV, NTA, gearing and working capital of the CMHP Group;
- (ii) that the Acquisitions had been effected on 1 January 2014 for illustrating the financial effects on the consolidated earnings of the CMHP Group;
- (iii) the financial statements of the CMHP Group are reported in HK\$. They have been translated where necessary, in respect of profit and loss items using the average exchange rate of HK\$1.2602 per RMB for FY2014. In respect of the balance sheet items, they have been translated using the closing exchange rate of HK\$1.2676 per RMB as at 31 December 2014;
- (iv) that the Company will be able to gain control of the Targets and account for the Targets as wholly-owned subsidiaries;
- (v) the aggregate consideration payable for the Acquisitions, the repayment of the Guixing Related Party Loans as well as the Guiyang Related Party Loans (each as defined in the Acquisitions Announcement), the contract amount of RMB154,390,000 payable pursuant to the Guixing Supplemental Construction Contract (as defined in the Acquisitions Announcement) and the additional working capital to be injected into the Targets post-Acquisitions will be satisfied wholly in cash, to be funded by the Preferential Offering in conjunction with external bank borrowings of up to approximately HK\$2,535,200,000 based on an interest rate of three per cent.;

The terms set out in this paragraph 4.1(a)(v) are purely for illustrative purposes only and may not represent the actual terms of any external bank borrowings by the Company after the date of this Announcement;

- (vi) that the transaction costs associated with the Acquisitions and the Preferential Offering are assumed to be insignificant;
- (vii) that the interest expenses on bank borrowings are assumed to be non-deductible for tax purposes;
- (viii) the fair value of the net identifiable assets was provisionally determined after considering the respective valuation reports for the Targets. The fair value of individually identifiable assets and liabilities acquired, including any goodwill arising, pursuant to the Acquisitions may be substantially different from their corresponding values used in the preparation of the unaudited pro forma financial effects;
- (ix) that the Related Party Loans (as defined in the Acquisitions Announcement) have been fully repaid;
- (x) with the financial support provided by existing and future shareholders, the Targets are able to meet in full their financial obligations as they fall due in the foreseeable future and the Targets are able to continue as going concerns; and
- (xi) the financial effects before the Acquisitions are based on the audited consolidated financial statements of the CMHP Group for FY2014, adjusted for the Bonus Issue.

(b) Share Capital

	('000)
Number of issued Shares	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	1,100,403
- Assuming full conversion of the Convertible Bonds	1,263,158
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	1,734,159
- Assuming full conversion of the Convertible Bonds	1,896,914

(c) NAV

For illustrative purposes only and assuming the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the consolidated NAV of the CMHP Group for FY2014 are as follows:

NAV before the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$'000)	6,374,063
- Assuming full conversion of the Convertible Bonds (HK\$'000)	7,147,027
Issue of New Shares (HK\$'000)	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	2,535
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	6,338

Adjusted NAV after the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$'000)	10,315,790
- Assuming full conversion of the Convertible Bonds (HK\$'000)	11,088,754

NAV per Share**Before the Acquisitions:**

- Before any conversion of the Convertible Bonds (HK\$)	5.79
- Assuming full conversion of the Convertible Bonds (HK\$)	5.66

After the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$)	5.95
- Assuming full conversion of the Convertible Bonds (HK\$)	5.85

(d) NTA

For illustrative purposes only and assuming the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the consolidated NTA of the CMHP Group for FY2014 are set out below. The NTA is determined by the consolidated NAV of the CMHP Group less the CMHP Group's share of intangible assets, which comprises mainly the toll operating rights of the Yongtaiwen Expressway acquired in 2011, the toll operating rights of the Beilun Port Expressway acquired in 2012, the toll operating rights of the Jiurui Expressway acquired in 2014 and the toll operating rights of the Guixing Expressway, the Guiyang Expressway and the Yangping Expressway (collectively, the "**Guangxi Expressways**") to be acquired pursuant to the Acquisitions.

NTA before the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$'000)	(2,918,136)
- Assuming full conversion of the Convertible Bonds (HK\$'000)	(2,145,172)
Share of toll operating rights of the Guixing Expressway (HK\$'000)	(5,110,539)
Share of toll operating rights of the Guiyang Expressway (HK\$'000)	(3,438,536)
Share of toll operating rights of the Yangping Expressway (HK\$'000)	(2,339,672)
Issue of New Shares (HK\$'000)	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	2,535
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	6,338

Adjusted NTA after the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$'000)	(9,865,156)
- Assuming full conversion of the Convertible Bonds (HK\$'000)	(9,092,192)

NTA per Share**Before the Acquisitions:**

- Before any conversion of the Convertible Bonds (HK\$)	(2.65)
- Assuming full conversion of the Convertible Bonds (HK\$)	(1.70)

After the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$)	(5.69)
- Assuming full conversion of the Convertible Bonds (HK\$)	(4.79)

Note:

- (1) The increased negative NTA per Share following the Acquisitions arose primarily as a result of the exclusion of the CMHP Group's share of intangible assets amounting to HK\$20,180,570,000 (including the share of toll operating rights of the Yongtaiwen Expressway of HK\$3,265,324,000, the share of toll operating rights of the Beilun Port Expressway of HK\$2,395,501,000, the share of toll operating rights of the Jiurui Expressway of HK\$3,630,998,000 and the share of toll operating rights of the Guangxi Expressways of HK\$10,888,747,000).

(e) **EPS**

For illustrative purposes only and assuming the Acquisitions had been completed on 1 January 2014, the pro forma financial effects on the consolidated earnings of the CMHP Group for FY2014 are as follows:

	Before the Acquisitions	After the Acquisitions
Profit after tax and minority interests (HK\$'000)	739,415	962,882
Net profit attributable to ordinary shareholders (HK\$'000)	739,415	962,882
<u>Basic EPS</u>		
No. of issued Shares ('000)	880,701	1,514,457
Basic EPS (HK cents)	83.96	63.58
<u>Fully diluted EPS</u>		
No. of issued Shares ('000)	1,172,125	1,805,882
Fully diluted EPS (HK cents)	66.54	55.56

Notes:

- (1) The calculation of basic and diluted EPS is based on the profit/adjusted profit attributable to ordinary shareholders of the Company.
- (2) For the purpose of calculating the diluted earnings per Share, the weighted average number of Shares is adjusted to take into account the dilutive effect arising from the Share Options and full conversion of all Convertible Bonds.
- (3) Expenses in connection with the Acquisitions and the Preferential Offering and any synergistic benefits arising from the Acquisitions and the Preferential Offering are assumed to be immaterial.

(f) **Gearing**

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the gearing of the CMHP Group for FY2014 are as follows:

	HK\$'000
Debts (interest bearing liabilities)⁽¹⁾	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	4,247,038
- Assuming full conversion of the Convertible Bonds	3,474,074
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	11,681,661

	HK\$'000
- Assuming full conversion of the Convertible Bonds	10,908,697
Shareholders' equity⁽²⁾	
Before the Acquisitions as previously reported:	
- Before any conversion of the Convertible Bonds	8,929,794
- Assuming full conversion of the Convertible Bonds	9,702,758
Issue of New Shares	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	2,535
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	6,338
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	12,871,521
- Assuming full conversion of the Convertible Bonds	13,644,485
Gearing⁽³⁾	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	32%
- Assuming full conversion of the Convertible Bonds	26%
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	48%
- Assuming full conversion of the Convertible Bonds	44%

Notes:

- (1) "Debts" means the aggregate of interest bearing liabilities.
- (2) "Shareholders' equity" refers to the aggregate of the issued and paid-up share capital, capital and other reserves of the CMHP Group and minority interests.
- (3) "Gearing" is computed based on the ratio of Debts to the sum of Debts and Shareholders' equity.

(g) **Working Capital**

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the pro forma financial effects of the Acquisitions on the working capital of the CMHP Group as at 31 December 2014 are as follows:

	HK\$'000
<u>Current assets</u>	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	1,249,909
- Assuming full conversion of the Convertible Bonds	1,249,909
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	2,744,982
- Assuming full conversion of the Convertible Bonds	2,744,982
<u>Current liabilities</u>	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	(1,695,413)
- Assuming full conversion of the Convertible Bonds	(1,695,413)
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	(2,858,545)
- Assuming full conversion of the Convertible Bonds	(2,858,545)
<u>Working capital</u>	
Before the Acquisitions:	
- Before any conversion of the Convertible Bonds	(445,504)
- Assuming full conversion of the Convertible Bonds	(445,504)
After the Acquisitions:	
- Before any conversion of the Convertible Bonds	(113,563)
- Assuming full conversion of the Convertible Bonds	(113,563)

4.2 The Acquisitions on a Standalone Basis. The updated pro forma financial effects of the Acquisitions (on a standalone basis and after taking into account the terms of the Preferential

Offering) on the share capital, NAV per Share, NTA per Share, EPS, gearing and working capital of the CMHP Group are set out below.

(a) **Bases and Assumptions.** The pro forma financial effects for the Acquisitions have been prepared based on the audited consolidated financial statements of the CMHP Group adjusted for the Bonus Issue and the audited financial statements of the Targets for FY2014, which have been prepared on a going concern basis, and are purely **for illustration purposes only and do not reflect the future actual financial position of the CMHP Group following the Acquisitions**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) that the Acquisitions had been effected on 31 December 2014 for illustrating the financial effects on the consolidated share capital, NAV, NTA, gearing and working capital of the CMHP Group;
- (ii) that the Acquisitions had been effected on 1 January 2014 for illustrating the financial effects on the consolidated earnings of the CMHP Group;
- (iii) the financial statements of the CMHP Group are reported in HK\$. They have been translated where necessary, in respect of profit and loss items using the average exchange rate of HK\$1.2602 per RMB for FY2014. In respect of the balance sheet items, they have been translated using the closing exchange rate of HK\$1.2676 per RMB as at 31 December 2014;
- (iv) that the Company will be able to gain control of the Targets and account for the Targets as wholly-owned subsidiaries;
- (v) the aggregate consideration payable for the Acquisitions, the repayment of the Guixing Related Party Loans as well as the Guiyang Related Party Loans, the contract amount of RMB154,390,000 payable pursuant to the Guixing Supplemental Construction Contract and the additional working capital to be injected into the Targets post-Acquisitions will be satisfied wholly in cash, to be funded by the Preferential Offering;

The terms set out in this paragraph 4.2(a)(v) are purely for illustrative purposes only and may not represent the actual terms of any external bank borrowings by the Company after the date of this Announcement;

- (vi) that the transaction costs associated with the Acquisitions and the Preferential Offering are assumed to be insignificant;
- (vii) that the interest expenses on bank borrowings are assumed to be non-deductible for tax purposes;
- (viii) the fair value of the net identifiable assets was provisionally determined after considering the respective valuation reports for the Targets. The fair value of individually identifiable assets and liabilities acquired, including any goodwill arising, pursuant to the Acquisitions may be substantially different from their corresponding values used in the preparation of the unaudited pro forma financial effects;
- (ix) that the Related Party Loans have been fully repaid;
- (x) with the financial support provided by existing and future shareholders, the Targets are able to meet in full their financial obligations as they fall due in

the foreseeable future and the Targets are able to continue as going concerns; and

- (xi) the financial effects before the Acquisitions are based on the audited consolidated financial statements of the CMHP Group for FY2014, adjusted for the Bonus Issue.

(b) **Share Capital**

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
	('000)	('000)	('000)
Number of issued Shares			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	1,100,403	1,100,403	1,100,403
- Assuming full conversion of the Convertible Bonds	1,263,158	1,263,158	1,263,158
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	1,734,159	1,734,159	1,734,159
- Assuming full conversion of the Convertible Bonds	1,896,914	1,896,914	1,896,914

(c) **NAV**

For illustrative purposes only and assuming the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the consolidated NAV of the CMHP Group for FY2014 are as follows:

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
NAV before the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$'000)	6,374,063	6,374,063	6,374,063
- Assuming full conversion of the Convertible Bonds (HK\$'000)	7,147,027	7,147,027	7,147,027
Issue of New Shares (HK\$'000)	3,723,698	3,723,698	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156	-	-
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	-	2,535	-
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	-	-	6,338
Adjusted NAV after the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$'000)	10,306,917	10,100,296	10,104,099

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
- Assuming full conversion of the Convertible Bonds (HK\$'000)	11,079,881	10,873,260	10,877,063

NAV per Share

Before the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$)	5.79	5.79	5.79
- Assuming full conversion of the Convertible Bonds (HK\$)	5.66	5.66	5.66

After the Acquisitions:

- Before any conversion of the Convertible Bonds (HK\$)	5.94	5.82	5.83
- Assuming full conversion of the Convertible Bonds (HK\$)	5.84	5.73	5.73

(d) **NTA**

For illustrative purposes only and assuming the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the consolidated NTA of the CMHP Group for FY2014 are set out below. The NTA is determined by the consolidated NAV of the CMHP Group less the CMHP Group's share of intangible assets, which comprises mainly the toll operating rights of the Yongtaiwen Expressway acquired in 2011, the toll operating rights of the Beilun Port Expressway acquired in 2012, the toll operating rights of the Jiurui Expressway acquired in 2014 and the toll operating rights of the Guangxi Expressways to be acquired pursuant to the Acquisitions.

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
NTA before the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$'000)	(2,918,136)	(2,918,136)	(2,918,136)
- Assuming full conversion of the Convertible Bonds (HK\$'000)	(2,145,172)	(2,145,172)	(2,145,172)
Share of toll operating rights of the Guixing Expressway (HK\$'000)	(5,110,539)	-	-
Share of toll operating rights of the Guiyang Expressway (HK\$'000)	-	(3,438,536)	-
Share of toll operating rights of the Yangping Expressway (HK\$'000)	-	-	(2,339,672)
Issue of New Shares (HK\$'000)	3,723,698	3,723,698	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156	-	-

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	-	2,535	-
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	-	-	6,338
Adjusted NTA after the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$'000)	(4,095,821)	(2,630,439)	(1,527,772)
- Assuming full conversion of the Convertible Bonds (HK\$'000)	(3,322,857)	(1,857,475)	(754,808)
NTA per Share⁽¹⁾			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$)	(2.65)	(2.65)	(2.65)
- Assuming full conversion of the Convertible Bonds (HK\$)	(1.70)	(1.70)	(1.70)
After the Acquisitions:			
- Before any conversion of the Convertible Bonds (HK\$)	(2.36)	(1.52)	(0.88)
- Assuming full conversion of the Convertible Bonds (HK\$)	(1.75)	(0.98)	(0.40)

Note:

- (1) The increased negative NTA per Share following the Acquisitions arose primarily as a result of the exclusion of the CMHP Group's share of intangible assets amounting to HK\$20,180,570,000 (including the share of toll operating rights of the Yongtaiwen Expressway of HK\$3,265,324,000, the share of toll operating rights of the Beilun Port Expressway of HK\$2,395,501,000, the share of toll operating rights of the Jiurui Expressway of HK\$3,630,998,000 and the share of toll operating rights of the Guangxi Expressways of HK\$10,888,747,000).

(e) EPS

For illustrative purposes only and assuming the Acquisitions had been completed on 1 January 2014, the pro forma financial effects on the consolidated earnings of the CMHP Group for FY2014 are as follows:

	Before the Acquisitions	After the Acquisitions		
		Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
Profit after tax and minority interests (HK\$'000)	739,415	981,513	823,354	712,901
Net profit attributable to ordinary shareholders (HK\$'000)	739,415	981,513	823,354	712,901

	Before the Acquisitions	After the Acquisitions		
		Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
<u>Basic EPS</u>				
No. of issued Shares ('000)	880,701	1,514,457	1,514,457	1,514,457
Basic EPS (HK cents)	83.96	64.81	54.37	47.07
<u>Fully diluted EPS</u>				
No. of issued Shares ('000)	1,172,125	1,805,882	1,805,882	1,805,882
Fully diluted EPS (HK cents)	66.54	56.60	47.84	41.72

Notes:

- (1) The calculation of basic and diluted EPS is based on the profit/adjusted profit attributable to ordinary shareholders of the Company.
- (2) For the purpose of calculating the diluted earnings per Share, the weighted average number of Shares is adjusted to take into account the dilutive effect arising from the Share Options and full conversion of all Convertible Bonds.
- (3) Expenses in connection with the Acquisitions and the Preferential Offering and any synergistic benefits arising from the Acquisitions and the Preferential Offering are assumed to be immaterial.

(f) **Gearing**

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the pro forma financial effects on the gearing of the CMHP Group for FY2014 are as follows:

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
	('000)	('000)	('000)
Debts (interest bearing liabilities)⁽¹⁾			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	4,247,038	4,247,038	4,247,038
- Assuming full conversion of the Convertible Bonds	3,474,074	3,474,074	3,474,074
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	6,282,953	5,749,144	5,608,440
- Assuming full conversion of the Convertible Bonds	5,509,989	4,976,180	4,835,476

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
	('000)	('000)	('000)
Shareholders' equity⁽²⁾			
Before the Acquisitions as previously reported:			
- Before any conversion of the Convertible Bonds	8,929,794	8,929,794	8,929,794
- Assuming full conversion of the Convertible Bonds	9,702,758	9,702,758	9,702,758
Issue of New Shares (HK\$'000)	3,723,698	3,723,698	3,723,698
Negative goodwill arising from the Guixing Acquisition (HK\$'000)	209,156	-	-
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	-	2,535	-
Negative goodwill arising from the Yangping Acquisition (HK\$'000)	-	-	6,338
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	12,862,648	12,656,027	12,659,830
- Assuming full conversion of the Convertible Bonds	13,635,612	13,428,991	13,432,794
Gearing⁽³⁾			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	32%	32%	32%
- Assuming full conversion of the Convertible Bonds	26%	26%	26%
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	33%	31%	31%
- Assuming full conversion of the Convertible Bonds	29%	27%	26%

Notes:

- (1) "Debts" means the aggregate of interest bearing liabilities.
- (2) "Shareholders' equity" refers to the aggregate of the issued and paid-up share capital, capital and other reserves of the CMHP Group and minority interests.
- (3) "Gearing" is computed based on the ratio of Debts to the sum of Debts and Shareholders' equity.

(g) **Working Capital**

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the pro forma financial effects of the Acquisitions on the working capital of the CMHP Group as at 31 December 2014 are as follows:

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
	(’000)	(’000)	(’000)
<u>Current assets</u>			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	1,249,909	1,249,909	1,249,909
- Assuming full conversion of the Convertible Bonds	1,249,909	1,249,909	1,249,909
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	2,668,282	3,410,165	4,078,549
- Assuming full conversion of the Convertible Bonds	2,668,282	3,410,165	4,078,549
<u>Current liabilities</u>			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	(1,695,413)	(1,695,413)	(1,695,413)
- Assuming full conversion of the Convertible Bonds	(1,695,413)	(1,695,413)	(1,695,413)
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	(2,094,902)	(2,124,236)	(2,030,233)
- Assuming full conversion of the Convertible Bonds	(2,094,902)	(2,124,236)	(2,030,233)
<u>Working capital</u>			
Before the Acquisitions:			
- Before any conversion of the Convertible Bonds	(445,504)	(445,504)	(445,504)
- Assuming full conversion of the Convertible Bonds	(445,504)	(445,504)	(445,504)
After the Acquisitions:			
- Before any conversion of the Convertible Bonds	573,380	1,285,929	2,048,316
- Assuming full conversion of the Convertible Bonds	573,380	1,285,929	2,048,316

5. IRREVOCABLE UNDERTAKING

As at the date of this Announcement, the Undertaking Shareholder has an indirect interest in an aggregate of 764,814,750 Shares, representing approximately 65.52 per cent. of the issued share capital of the Company.

On 30 July 2015, the Undertaking Shareholder had irrevocably undertaken that, *inter alia*, subject to and conditional upon AIP from the SGX-ST for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST not having been withdrawn:

- (a) as at 5.00 p.m. (Singapore time) on the Books Closure Date, it will procure that, in aggregate, not less than 764,814,750 Shares will be registered in the name of Easton in the Register of Members of the Company and/or credited to the Securities Account of Easton's custodian, DBS Nominees (Private) Limited for the account of Easton;
- (b) it will, not later than the closing date for the Preferential Offering, procure the subscription and payment by Easton in full for the Undertaken Pro-rata New Shares, representing Easton's *pro-rata* entitlement to the New Shares under the Preferential Offering; and
- (c) it will, not later than the closing date for the Preferential Offering, procure the subscription and payment by Easton in full for the Undertaken Excess New Shares which, when aggregated with the Undertaken Pro-rata New Shares, would represent 100 per cent. of the aggregate number of New Shares under the Preferential Offering.

Consequently, if (i) all the conversion rights attaching to the outstanding Convertible Bonds as at the date of this Announcement and (ii) all the subscription rights attaching to the outstanding Share Options as at the date of this Announcement are exercised in full and new Shares are allotted and issued, in each case on or prior to the Books Closure Date, the maximum number of New Shares to be subscribed for by the Undertaking Shareholder pursuant to the Undertaking shall be up to 633,756,189 New Shares.

In view of the Undertaking, the Company has decided to proceed with the Preferential Offering on a non-underwritten basis.

6. APPROVALS

- 6.1 Listing Approval.** The Preferential Offering is subject to, *inter alia*, the Company obtaining AIP from the SGX-ST for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST. An application will be made by the Company to obtain AIP from the SGX-ST for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST.
- 6.2 Share Issue Mandate.** The issue of the New Shares is proposed to be made pursuant to the authority granted by, and the share issue mandate approved by, Shareholders at the Company's Annual General Meeting held on 30 April 2015 (the "**Share Issue Mandate**"). Pursuant to the Share Issue Mandate, the Directors are authorised and empowered to, *inter alia*, issue Shares by way of an issue of Shares on a *pro-rata* basis to Shareholders at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares to be issued pursuant to the Share Issue Mandate shall not exceed 50 per cent. of the total number of issued Shares as at the time of the passing of the Share Issue Mandate, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities, (b) new Shares arising from exercising share options or vesting of share awards

which are outstanding or subsisting at the time of the passing of the Share Issue Mandate and (c) any subsequent bonus issue, consolidation or subdivision of Shares. **Accordingly, as the number of new Shares to be issued pursuant to the Preferential Offering falls within such limit of the Share Issue Mandate, the Company will not be seeking specific approval from Shareholders for the Preferential Offering.**

7. GENERAL

7.1 Instruction Booklet. The terms and conditions of the Preferential Offering are subject to such changes as the Directors may deem appropriate. Further details of the Preferential Offering will be made available in the Instruction Booklet to be despatched to Entitled Shareholders in due course.

7.2 Further announcements. Where appropriate, further details will be disclosed in subsequent announcements.

BY ORDER OF THE BOARD

Lim Lay Hoon
Company Secretary
Singapore, 30 July 2015

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