

CIRCULAR DATED 28 AUGUST 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of China Merchants Holdings (Pacific) Limited, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



招商局 亚太有限公司

China Merchants Holdings (Pacific) Limited

(Incorporated in the Republic of Singapore)

Company Registration No. 198101278D

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITIONS OF:

- (1) GUANGXI GUIXING EXPRESSWAY INVESTMENT AND CONSTRUCTION CO., LTD.;**
- (2) GUANGXI GUIWU EXPRESSWAY GUIYANG SECTION INVESTMENT AND CONSTRUCTION CO., LTD.; AND**
- (3) GUANGXI HUATONG EXPRESSWAY CO., LTD.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	12 September 2015 at 10.00 a.m. (Singapore time)
Date and time of Extraordinary General Meeting	:	14 September 2015 at 10.00 a.m. (Singapore time)
Place of Extraordinary General Meeting	:	Conrad Centennial Singapore North Ballroom, Level 2 Two Temasek Boulevard Singapore 038982

CONTENTS

	<i>Page</i>
DEFINITIONS	3
GLOSSARY OF TECHNICAL TERMS	13
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	14
LETTER TO SHAREHOLDERS	15
1. Introduction	15
2. Information on Guixing SPV, the Guixing Target and the Guixing Expressway	20
3. Principal Terms of the Guixing Acquisition	24
4. Financial Information on the Guixing Target	29
5. Information on Guiyang SPV, the Guiyang Target and the Guiyang Expressway	31
6. Principal Terms of the Guiyang Acquisition	34
7. Financial Information on the Guiyang Target	39
8. Information on Yangping SPV, the Yangping Target and the Yangping Expressway ..	40
9. Principal Terms of the Yangping Acquisition	44
10. Financial Information on the Yangping Target	47
11. Updated Pro Forma Financial Effects	49
12. Rationale for the Acquisitions	62
13. Risk Factors	63
14. Material Litigation	65
15. Interests of Directors and Controlling Shareholders	65
16. Directors' Recommendation	66
17. Extraordinary General Meeting	66
18. Action to be taken by Shareholders	66
19. Directors' Responsibility Statement	66
20. Consents	67
21. Documents for Inspection	67

CONTENTS

APPENDICES

A. Executive Summary of the Guixing Traffic Consultant's Report	68
B. Executive Summary of the Guiyang Traffic Consultant's Report	79
C. Executive Summary of the Yangping Traffic Consultant's Report	90
D. Guixing Target Valuation Report	101
E. Guiyang Target Valuation Report	111
F. Yangping Target Valuation Report	121

NOTICE OF EXTRAORDINARY GENERAL MEETING	131
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PROXY FORM

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Acquisitions”	:	The Guixing Acquisition, the Guiyang Acquisition and the Yangping Acquisition
“Beilun Port Expressway”	:	The Ningbo Beilun Port Expressway (Daqi-Xiwu Section) (同三国道主干线宁波境内大至西坞段高速公路), the 51.426 km expressway connecting with Taizhou Municipality, PRC, in the south and Hangzhou Municipality, PRC, in the west, located in Zhejiang Province, PRC
“Bonus Issue”	:	The bonus issue of 54,740,985 new Shares by the Company to entitled Shareholders on 2 June 2015
“CDP”	:	The Central Depository (Pte) Limited
“CMHP” or “Company”	:	China Merchants Holdings (Pacific) Limited
“CMHP Group” or “Group”	:	The Company and its subsidiaries
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Completion”	:	The completion of each of the Acquisitions
“Convertible Bonds”	:	The aggregate principal amount of HK\$1,163,000,000 1.25 per cent. convertible bonds due 2017 (credit enhanced until 2015) issued by the Company on 6 November 2012
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on pages 131 to 133 of this Circular
“Encumbrances”	:	Any lien, mortgage, hypothecation, pledge, security interest, option, pre-emptive right, other statutory or prescribed encumbrance or any claim, right or privilege that may become any of the foregoing
“Enlarged CMHP Group”	:	The enlarged Group with the Company owning all the issued shares in the capital of each of the Targets as a result of the Acquisitions
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or ending, as the case may be, 31 December
“GDP”	:	Gross domestic product

DEFINITIONS

“Guangxi”	:	Guangxi Zhuang Autonomous Region, PRC
“Guangxi Expressways”	:	The Guixing Expressway, the Guiyang Expressway and the Yangping Expressway
“Guangxi Guizheng”	:	Guangxi Guizheng Expressway Investment and Construction Co., Ltd. (广西桂政高速公路投资建设有限公司)
“Guixing Acquisition”	:	The proposed acquisition of the Guixing Target Shares on the terms and subject to the conditions of the Guixing SPA
“Guixing AIC Registration Approval Notice”	:	The approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Guixing Target, the new articles of association of the Guixing Target and the change of the legal representative of the Guixing Target
“Guixing Completion”	:	Completion of the Guixing Acquisition
“Guixing Completion Date”	:	The date of the Guixing Completion, being the date falling one (1) day after the satisfaction or waiver of all the Guixing Conditions in accordance with the terms of the Guixing SPA (or such other date as may be agreed in writing between Guixing SPV, the Guixing Sellers and the Guixing Target)
“Guixing Conditions”	:	The conditions precedent to the Guixing Acquisition
“Guixing Consideration”	:	The 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) payable by Guixing SPV to the Guixing Sellers for the Guixing Target Shares
“Guixing Expressway”	:	Guilin – Xing’an Expressway (桂林至兴安高速公路), the 53.4 km expressway located at the northern area of Guilin Municipality, PRC, connecting Guilin urban area with Xing’an County, PRC, in the north-east of Guangxi, PRC
“Guixing Governmental Approvals”	:	The relevant PRC governmental approvals for the Guixing Acquisition, including the Guixing AIC Registration Approval Notice
“Guixing Pre-Conditions”	:	The pre-conditions upon the satisfaction of which the Guixing SPA shall become effective
“Guixing Related Parties”	:	The Guixing Sellers and other related entities of the Guixing Sellers
“Guixing Related Party Loans”	:	The interest-free loans currently extended by the Guixing Related Parties to the Guixing Target

DEFINITIONS

“Guixing Sellers”	:	Guangxi Guizheng and Guizheng Construction
“Guixing SPA”	:	The conditional share purchase agreement dated 23 June 2015 entered into between Guixing SPV, the Guixing Sellers and the Guixing Target (as supplemented by a supplemental agreement dated 23 June 2015 between the same parties), pursuant to which the Guixing Sellers have agreed to sell, and Guixing SPV has agreed to purchase, the Guixing Target Shares on the terms and subject to the conditions contained therein
“Guixing SPV”	:	Xinan Guixing Expressway Pte. Ltd. (Company Registration No. 201525839M), a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date, being a private limited company incorporated in the Republic of Singapore having its registered address at 6 Temasek Boulevard, #33-04/05, Suntec Tower Four, Singapore 038986
“Guixing Supplemental Construction Contract”	:	The supplemental construction contract dated 23 June 2015 entered into between the Guixing Target, Guizheng Construction and Hunan Construction, pursuant to which the Guixing Target will pay RMB154,390,000 to Guizheng Construction and/or Hunan Construction to complete the Outstanding Guixing Expressway Works within two (2) years from the date of signing of such supplemental construction contract
“Guixing Supplemental Construction Contract Amount”	:	The RMB154,390,000 payable by the Guixing Target to Guizheng Construction and/or Hunan Construction pursuant to the Guixing Supplemental Construction Contract
“Guixing Target”	:	Guangxi Guixing Expressway Investment and Construction Co., Ltd. (广西桂兴高速公路投资建设有限公司)
“Guixing Target Shares”	:	All the issued shares in the capital of the Guixing Target
“Guixing Target Valuation Report”	:	The valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Guixing Target Shares as at 31 December 2014, a copy of which is attached as Appendix D to this Circular
“Guixing Traffic Consultant’s Report”	:	The results of the independent traffic and revenue forecast studies on the Guixing Expressway prepared by THI Asia, an executive summary of which is attached as Appendix A to this Circular
“Guixing Undisclosed Obligations”	:	Material contracts entered into by, as well as the payment obligations and debt obligations of, the Guixing Target that have not been disclosed to Guixing SPV pursuant to the Guixing SPA

DEFINITIONS

“Guiyang Acquisition”	:	The proposed acquisition of the Guiyang Target Shares on the terms and subject to the conditions of the Guiyang SPA
“Guiyang AIC Registration Approval Notice”	:	The approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Guiyang Target, the new articles of association of the Guiyang Target and the change of the legal representative of the Guiyang Target
“Guiyang Completion”	:	Completion of the Guiyang Acquisition
“Guiyang Completion Date”	:	The date of the Guiyang Completion, being the date falling one (1) day after the satisfaction or waiver of all the Guiyang Conditions in accordance with the terms of the Guiyang SPA (or such other date as may be agreed in writing between Guiyang SPV, the Guiyang Sellers and the Guiyang Target)
“Guiyang Conditions”	:	The conditions precedent to the Guiyang Acquisition
“Guiyang Consideration”	:	The consideration of RMB930,000,000 (approximately HK\$1,174,125,000 based on an exchange rate of RMB1.00 : HK\$1.2625) payable by Guiyang SPV to the Guiyang Sellers for the Guiyang Target Shares
“Guiyang Expressway”	:	Guilin – Yangshuo Expressway (桂林至阳朔高速公路), the 67 km expressway located at the southern area of Guilin Municipality, PRC, connecting Guilin urban area with Yangshuo County, PRC, in the north-east of Guangxi, PRC
“Guiyang Governmental Approvals”	:	The relevant PRC governmental approvals for the Guiyang Acquisition, including the Guiyang AIC Registration Approval Notice
“Guiyang Pre-Conditions”	:	The pre-conditions upon the satisfaction of which the Guiyang SPA shall become effective
“Guiyang Related Parties”	:	The Guiyang Sellers and other related entities of the Guiyang Sellers
“Guiyang Related Party Loans”	:	The interest-free loans currently extended by the Guiyang Related Parties to the Guiyang Target
“Guiyang Sellers”	:	Guangxi Guizheng, Guizheng Construction and Guizheng Industrial

DEFINITIONS

“Guiyang SPA”	:	The conditional share purchase agreement dated 23 June 2015 entered into between Guiyang SPV, the Guiyang Sellers and the Guiyang Target (as supplemented by a supplemental agreement dated 23 June 2015 between the same parties), pursuant to which the Guiyang Sellers have agreed to sell, and Guiyang SPV has agreed to purchase, the Guiyang Target Shares on the terms and subject to the conditions contained therein
“Guiyang SPV”	:	Xinan Guiyang Expressway Pte. Ltd. (Company Registration No. 201525841W), a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date, being a private limited company incorporated in the Republic of Singapore having its registered address at 6 Temasek Boulevard, #33-04/05, Suntec Tower Four, Singapore 038986
“Guiyang Target”	:	Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. (广西桂梧高速公路桂阳段投资建设有限公司)
“Guiyang Target Shares”	:	All the issued shares in the capital of the Guiyang Target
“Guiyang Target Valuation Report”	:	The valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Guiyang Target Shares as at 31 December 2014, a copy of which is attached as Appendix E to this Circular
“Guiyang Traffic Consultant’s Report”	:	The results of the independent traffic and revenue forecast studies on the Guiyang Expressway prepared by THI Asia, an executive summary of which is attached as Appendix B to this Circular
“Guiyang Undisclosed Obligations”	:	Material contracts entered into by, as well as the payment obligations and debt obligations of, the Guiyang Target that have not been disclosed to Guiyang SPV pursuant to the Guiyang SPA
“Guizheng Construction”	:	Beihai Guizheng Construction Engineering Co., Ltd. (北海桂政建筑工程有限公司)
“Guizheng Industrial”	:	Beihai Guizheng Industrial Co., Ltd. (北海桂政实业有限公司)
“Hong Kong”	:	The Hong Kong Special Administrative Region of the PRC
“Hunan Construction”	:	Hunan Road and Bridge Construction Co., Ltd. (湖南路桥建设集团有限责任公司)

DEFINITIONS

“Jiurui Expressway”	:	The Jiurui Expressway (Jiujiang-Ruichang Section) (江西省九江至瑞昌高速公路), the 48.14 km expressway located at the east-western area of Jiujiang Municipality, PRC, connecting with Ruichang Municipality, PRC, in the west of Jiangxi Province, PRC
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 21 August 2015
“Listing Manual”	:	The Listing Manual of the SGX-ST
“MOFCOM”	:	The Ministry of Commerce of the PRC or the Department of Commerce of Guangxi (or such other competent authority in charge of commerce in the PRC)
“NAV”	:	Net asset value
“New Shares”	:	The new Shares to be allotted and issued by the Company pursuant to the Preferential Offering
“Notice”	:	Notice of the EGM, which is set out on pages 131 to 133 of this Circular
“NTA”	:	Net tangible asset
“Outstanding Guixing Expressway Project Costs”	:	Any outstanding project costs and settlement of payments with Hunan Construction in relation to the construction of the Guixing Expressway (excluding costs related to the Outstanding Guixing Expressway Works)
“Outstanding Guixing Expressway Works”	:	The construction of a toll station at the proposed Rongjiang exit of the Guixing Expressway (including an inspection of the Guixing Expressway by the relevant PRC governmental authorities)
“PRC”	:	The People’s Republic of China, excluding Hong Kong and Macau Special Administrative Region for the purposes of this Circular
“Preferential Offering”	:	The non-renounceable non-underwritten preferential offering of up to 633,756,189 New Shares at an issue price of S\$1.00 for each New Share, on the basis of one (1) New Share for every two (2) existing Shares held by entitled Shareholders as at a time and date to be determined by the Directors for the purpose of determining the entitlements of the Shareholders under the Preferential Offering, fractional entitlements to be disregarded

DEFINITIONS

“Related Party Loans”	:	The Guixing Related Party Loans, the Guiyang Related Party Loans and the Yangping Related Party Loans
“Ruiwo Yilai”	:	Shenzhen Ruiwo Yilai Real Estate Development Co., Ltd. (深圳市瑞沃亿来房地产开发有限公司)
“Rule 1006”	:	Rule 1006 of the Listing Manual
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP, but not including sub-securities accounts
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Shenzhen Yitian”	:	Shenzhen Yitian Group Co., Ltd. (深圳市益田集团股份有限公司)
“Targets”	:	The Guixing Target, the Guiyang Target and the Yangping Target
“THI Asia”	:	THI Asia Consultants Limited
“Yangping Acquisition”	:	The proposed acquisition of the Yangping Target Shares on the terms and subject to the conditions of the Yangping SPA
“Yangping AIC Registration Approval Notice”	:	The approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Yangping Target, the new articles of association of the Yangping Target and the change of the legal representative of the Yangping Target
“Yangping Completion”	:	Completion of the Yangping Acquisition
“Yangping Completion Date”	:	The date of the Yangping Completion, being the date falling one (1) day after the satisfaction or waiver of all the Yangping Conditions in accordance with the terms of the Yangping SPA (or such other date as may be agreed in writing between Yangping SPV, the Yangping Sellers and the Yangping Target)
“Yangping Conditions”	:	The conditions precedent to the Yangping Acquisition

DEFINITIONS

“Yangping Consideration”	:	The consideration of RMB848,000,000 (approximately HK\$1,070,600,000 based on an exchange rate of RMB1.00 : HK\$1.2625) payable by Yangping SPV to the Yangping Sellers for the Yangping Target Shares
“Yangping Expressway”	:	Yangshuo – Pingle Expressway (阳朔至平乐高速公路), the 39.52 km expressway located at the eastern area of Guilin Municipality, PRC, connecting Yangshuo County, PRC, with Pingle County, PRC, in the north-east of Guangxi, PRC
“Yangping Governmental Approvals”	:	The relevant PRC governmental approvals for the Yangping Acquisition, including the Yangping AIC Registration Approval Notice
“Yangping Loan to Shareholders”	:	The borrowings of RMB222,890,000 by the Yangping Related Parties from the Yangping Target
“Yangping Pre-Conditions”	:	The pre-conditions upon the satisfaction of which the Yangping SPA shall become effective
“Yangping Related Parties”	:	The Yangping Sellers and other related entities of the Yangping Sellers
“Yangping Related Party Loans”	:	The interest-free loans currently extended by the Yangping Related Parties to the Yangping Target
“Yangping Sellers”	:	Shenzhen Yitian and Ruiwo Yilai
“Yangping SPA”	:	The conditional share purchase agreement dated 23 June 2015 entered into between Yangping SPV, the Yangping Sellers and the Yangping Target, pursuant to which the Yangping Sellers have agreed to sell, and Yangping SPV has agreed to purchase, the Yangping Target Shares on the terms and subject to the conditions contained therein
“Yangping SPV”	:	Xinan Yangping Expressway Pte. Ltd. (Company Registration No. 201525842H), a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date, being a private limited company incorporated in the Republic of Singapore having its registered address at 6 Temasek Boulevard, #33-04/05, Suntec Tower Four, Singapore 038986
“Yangping Target”	:	Guangxi Huatong Expressway Co., Ltd. (广西华通高速公路有限责任公司)
“Yangping Target Shares”	:	All the issued shares in the capital of the Yangping Target

DEFINITIONS

“Yangping Target Valuation Report”	:	The valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Yangping Target Shares as at 31 December 2014, a copy of which is attached as Appendix F to this Circular
“Yangping Traffic Consultant’s Report”	:	The results of the independent traffic and revenue forecast studies on the Yangping Expressway prepared by THI Asia, an executive summary of which is attached as Appendix C to this Circular
“Yongtaiwen Expressway”	:	Wenzhou Yongtaiwen Expressway (Wenzhou Section) (甬台温高速公路温州段), the 138 km expressway linking Taizhou Municipality, PRC, in the east and Fujian Province, PRC, in the west, located in Zhejiang Province, PRC
“Zhonghe”	:	Zhonghe Appraisal Co., Ltd.
“HK\$” and “HK cents”	:	The lawful currency for the time being of Hong Kong
“Renminbi” or “RMB”	:	The lawful currency for the time being of the PRC
“S\$”	:	The lawful currency for the time being of the Republic of Singapore
“km”	:	Kilometres
“km/h”	:	Kilometres per hour
“%” or “per cent.”	:	Per centum or percentage

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors, may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms “**controlling shareholder**” and “**associate**” shall have the meanings ascribed to them respectively in the Listing Manual.

The term “**subsidiaries**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

DEFINITIONS

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

In this Circular, unless otherwise stated, conversions of Renminbi into HK\$ are based on a rate of RMB1.00 to HK\$1.2676.

All exchange rates used in this Circular are for reference only. No representation is made by the Company that any amount in RMB has been, could have been or could be converted at such rates or at any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms and definitions used in this Circular in connection with the Targets and their respective businesses. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

In this Circular, the words “**road**” and “**highway**” have the same meaning. Roads in the PRC are classified into expressways, class 1 roads, class 2 roads, class 3 roads and class 4 roads in terms of function.

“ closed system ”	:	A toll collection method where tolls are calculated according to the vehicle type and the distance between the point of entry into the toll road and the point of exit from the toll road.
“ Dual-2 ”	:	Means two (2) lanes for each travel direction.
“ expressway ”	:	Full access-controlled multi-lane highway for motorised vehicles only, which serves high-speed traffic that connects particularly important political and economic centres.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular, which are not statements of historical fact, constitute “**forward-looking statements**”. Some of these statements can be identified by forward-looking terms such as “**expect**”, “**believe**”, “**plan**”, “**intend**”, “**estimate**”, “**anticipate**”, “**may**”, “**will**”, “**would**”, “**could**” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company’s, the Group’s and the Enlarged CMHP Group’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve known and unknown risks, uncertainties and other factors that may cause the Company’s, the Group’s and the Enlarged CMHP Group’s actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- (a) changes in general political, regulatory, social and economic conditions in the PRC, Singapore and the other countries in which the Company, the Group and the Enlarged CMHP Group will operate;
- (b) changes in currency exchange and interest rates;
- (c) demographic changes;
- (d) changes in competitive conditions;
- (e) changes in operating expenses; and
- (f) other factors beyond the Company’s, the Group’s and/or the Enlarged CMHP Group’s control.

Some of these factors are discussed in greater detail in this Circular, in particular, but not limited to, the discussion under “Risk Factors” in **paragraph 13** of this Circular.

Given the risks and uncertainties which may cause the Company’s, the Group’s and/or the Enlarged CMHP Group’s actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, undue reliance must not be placed on those statements. The Company does not represent or warrant that the Enlarged CMHP Group’s actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility, and undertakes no obligation to update or revise any forward-looking statements contained in this Circular to reflect any change in the Company’s, the Group’s and/or the Enlarged CMHP Group’s expectations with respect to such statements after the date of this Circular or to reflect any change in events, conditions or circumstances on which the Company based any such statements subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198101278D

Directors

Mr Luo Hui Lai (*Executive Chairman & Chief Executive Officer*)
Mr Zheng Hai Jun (*Non-Executive Vice Chairman*)
Mr Jiang Yan Fei (*Vice Chairman, General Manager & Chief Operating Officer*)
Mr Wang Xiufeng (*Non-Executive Director*)
Dr Lim Heng Kow (*Independent Director*)
Dr Hong Hai (*Independent Director*)

Registered Office

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

28 August 2015

To: The Shareholders of China Merchants Holdings (Pacific) Limited

Dear Sir/Madam

THE PROPOSED ACQUISITIONS OF:

- (1) GUANGXI GUIXING EXPRESSWAY INVESTMENT AND CONSTRUCTION CO., LTD.;
- (2) GUANGXI GUIWU EXPRESSWAY GUIYANG SECTION INVESTMENT AND CONSTRUCTION CO., LTD.; AND
- (3) GUANGXI HUATONG EXPRESSWAY CO., LTD.

1. INTRODUCTION

1.1 Proposed Acquisitions. On 23 June 2015, the Company announced that its three direct wholly-owned subsidiaries, Xinan Guixing Expressway Pte. Ltd. ("**Guixing SPV**"), Xinan Guiyang Expressway Pte. Ltd. ("**Guiyang SPV**") and Xinan Yangping Expressway Pte. Ltd. ("**Yangping SPV**"), had entered into the following agreements in relation to the proposed acquisitions of three (3) expressways located in the Guangxi Zhuang Autonomous Region ("**Guangxi**"), the People's Republic of China ("**PRC**"):

- (a) a conditional share purchase agreement (the "**Guixing SPA**") between Guixing SPV, Guangxi Guizheng Expressway Investment and Construction Co., Ltd. (广西桂政高速公路投资建设有限公司) ("**Guangxi Guizheng**"), Beihai Guizheng Construction Engineering Co., Ltd. (北海桂政建筑工程有限公司) ("**Guizheng Construction**", and together with Guangxi Guizheng, the "**Guixing Sellers**") and Guangxi Guixing Expressway Investment and Construction Co., Ltd. (广西桂兴高速公路投资建设有限公司) (the "**Guixing Target**") (as supplemented by a supplemental agreement dated 23 June 2015 between the same parties), pursuant to which the Guixing Sellers have agreed to sell, and Guixing SPV has agreed to purchase, all the issued shares in the capital of the Guixing Target (the "**Guixing Target Shares**"), which owns the rights to operate the Guilin – Xing'an Expressway (桂林至兴安高速公路) (the "**Guixing Expressway**") (the "**Guixing Acquisition**");
- (b) a conditional share purchase agreement (the "**Guiyang SPA**") between Guiyang SPV, Guangxi Guizheng, Guizheng Construction, Beihai Guizheng Industrial Co., Ltd. (北海桂政实业有限公司) ("**Guizheng Industrial**", and together with Guangxi Guizheng and Guizheng Construction, the "**Guiyang Sellers**") and Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. (广西桂梧高速公路桂阳段投资建设有限公司) (the "**Guiyang Target**") (as supplemented by a supplemental agreement

LETTER TO SHAREHOLDERS

dated 23 June 2015 between the same parties), pursuant to which the Guiyang Sellers have agreed to sell, and Guiyang SPV has agreed to purchase, all the issued shares in the capital of the Guiyang Target (the “**Guiyang Target Shares**”), which owns the rights to operate the Guilin – Yangshuo Expressway (桂林至阳朔高速公路) (the “**Guiyang Expressway**”) (the “**Guiyang Acquisition**”); and

- (c) a conditional share purchase agreement (the “**Yangping SPA**”) between Yangping SPV, Shenzhen Yitian Group Co., Ltd. (深圳市益田集团股份有限公司) (“**Shenzhen Yitian**”), Shenzhen Ruiwo Yilai Real Estate Development Co., Ltd. (深圳市瑞沃亿来房地产开发有限公司) (“**Ruiwo Yilai**”, and together with Shenzhen Yitian, the “**Yangping Sellers**”) and Guangxi Huatong Expressway Co., Ltd. (广西华通高速公路有限责任公司) (the “**Yangping Target**”), pursuant to which the Yangping Sellers have agreed to sell, and Yangping SPV has agreed to purchase, all the issued shares in the capital of the Yangping Target (the “**Yangping Target Shares**”), which owns the rights to operate the Yangshuo – Pingle Expressway (阳朔至平乐高速公路) (the “**Yangping Expressway**”) (the “**Yangping Acquisition**”).

The Guixing Sellers, the Guiyang Sellers and the Yangping Sellers are not related to CMHP or any of CMHP’s controlling shareholders, directors (“**Directors**”) or their associates.

Further information on (i) Guixing SPV, the Guixing Target and the Guixing Expressway, (ii) Guiyang SPV, the Guiyang Target and the Guiyang Expressway and (iii) Yangping SPV, the Yangping Target and the Yangping Expressway is set out in **paragraphs 2, 5 and 8** of this Circular respectively.

- 1.2 Completion.** The completion of each of the Guixing Acquisition, the Guiyang Acquisition and the Yangping Acquisition (collectively, the “**Acquisitions**”) (“**Completion**”) is subject to and conditional upon various pre-conditions and conditions precedent, including, *inter alia*, the approval of shareholders of the Company (the “**Shareholders**”) for each of the Acquisitions at an extraordinary general meeting of the Company to be convened (“**EGM**”). Following Completion, the Guixing Target, the Guiyang Target and the Yangping Target (collectively, the “**Targets**”) will be wholly-owned subsidiaries of CMHP and members of the CMHP group comprising CMHP and its subsidiaries (the “**CMHP Group**” or the “**Group**”).

Completion of each of the Guixing Acquisition, the Guiyang Acquisition and the Yangping Acquisition is not inter-conditional upon Completion of the other Acquisitions.

- 1.3 Chapter 10 of the Listing Manual.** The relative figures in relation to the Acquisitions computed on the applicable bases set out in Rule 1006 (“**Rule 1006**”) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) are as follows:

- (a) **Guixing Acquisition.** The relative figures in relation to the Guixing Acquisition computed on the applicable bases set out in Rule 1006 are as follows:

Rule 1006	Bases	Guixing Acquisition (HK\$ million)	CMHP Group (HK\$ million)	Relative Figures (%)
(b)	Net profits based on 100% of the aggregate net profits of the Guixing Target compared with the CMHP Group’s net profits ⁽¹⁾	44.535	1,348.114	3.30

LETTER TO SHAREHOLDERS

Rule 1006	Bases	Guixing Acquisition (HK\$ million)	CMHP Group (HK\$ million)	Relative Figures (%)
(c)	The consideration payable for the Guixing Acquisition ⁽²⁾ compared with CMHP's market capitalisation ⁽³⁾	1,783.91	6,865.024	25.99

Notes:

- (1) The net profits before tax, minority interests and exceptional items attributable to the Guixing Target for the financial year ended 31 December 2014 ("FY2014") have been compared with the CMHP Group's net profits before tax, minority interests and exceptional items for FY2014.
- (2) For the purpose of calculating the relative figure in relation to the Guixing Acquisition under Rule 1006(c), the aggregate value of the consideration payable for the Guixing Acquisition comprises (i) the Guixing Consideration (as defined in **paragraph 3.3** below) and (ii) the Guixing Supplemental Construction Contract Amount (as defined in **paragraph 3.8** below).
- (3) CMHP's market capitalisation is based upon 1,159,124,305 ordinary shares in the capital of the Company ("Shares") as at 22 June 2015 at a volume weighted average price of S\$1.051 for each Share, and expressed in HK\$ based on an exchange rate of S\$1.00 : HK\$5.6352.

As the relative figure in relation to the Guixing Acquisition under Rule 1006(c) exceeds 20 per cent., the Guixing Acquisition (on a standalone basis) constitutes a major transaction for CMHP as defined in Chapter 10 of the Listing Manual. Accordingly, the Guixing Acquisition is subject to the approval of the Shareholders.

- (b) **Guiyang Acquisition.** The relative figures in relation to the Guiyang Acquisition computed on the applicable bases set out in Rule 1006 are as follows:

Rule 1006	Bases	Guiyang Acquisition (HK\$ million)	CMHP Group (HK\$ million)	Relative Figures (%)
(b)	Net profits based on 100% of the aggregate net profits of the Guiyang Target compared with the CMHP Group's net profits ⁽¹⁾	109.446	1,348.114	8.12
(c)	The Guiyang Consideration (as defined in paragraph 6.3 below) payable compared with CMHP's market capitalisation ⁽²⁾	1,174.125	6,865.024	17.10

Notes:

- (1) The net profits before tax, minority interests and exceptional items attributable to the Guiyang Target for FY2014 have been compared with the CMHP Group's net profits before tax, minority interests and exceptional items for FY2014.
- (2) CMHP's market capitalisation is based upon 1,159,124,305 Shares as at 22 June 2015 at a volume weighted average price of S\$1.051 for each Share, and expressed in HK\$ based on an exchange rate of S\$1.00 : HK\$5.6352.

As the relative figures in relation to the Guiyang Acquisition under Rule 1006(b) and Rule 1006(c) exceed five (5) per cent. but do not exceed 20 per cent., the Guiyang Acquisition (on a standalone basis) constitutes a discloseable transaction for CMHP as defined in Chapter 10 of the Listing Manual. However, as disclosed in **paragraph**

LETTER TO SHAREHOLDERS

1.3(c) below, as the Guixing Acquisition and the Guiyang Acquisition on an aggregate basis constitute a major transaction for CMHP as defined in Chapter 10 of the Listing Manual, the Guiyang Acquisition is also subject to the approval of the Shareholders.

- (c) **Guixing Acquisition and Guiyang Acquisition.** As Guizheng Construction and Guangxi Guizheng are sellers under both the sale of the Guixing Target Shares and the sale of the Guiyang Target Shares under the Guixing Acquisition and the Guiyang Acquisition respectively, the Company has computed the relative figures in relation to the Guixing Acquisition and the Guiyang Acquisition on the applicable bases set out in Rule 1006 on an aggregate basis as follows:

Rule 1006	Bases	Guixing Acquisition and Guiyang Acquisition (HK\$ million)	CMHP Group (HK\$ million)	Relative Figures (%)
(b)	Net profits based on 100% of the aggregate net profits of the Guixing Target and the Guiyang Target compared with the CMHP Group's net profits ⁽¹⁾	153.980	1,348.114	11.42
(c)	The aggregate of the consideration payable for the Guixing Acquisition ⁽²⁾ and the Guiyang Consideration compared with CMHP's market capitalisation ⁽³⁾	2,958.035	6,865.024	43.09

Notes:

- (1) The net profits before tax, minority interests and exceptional items attributable to the Guixing Target and the Guiyang Target in aggregate for FY2014 have been compared with the CMHP Group's net profits before tax, minority interests and exceptional items for FY2014.
- (2) For the purpose of calculating the relative figure in relation to the Guixing Acquisition and the Guiyang Acquisition under Rule 1006(c), the aggregate value of the consideration payable for the Guixing Acquisition comprises (i) the Guixing Consideration and (ii) the Guixing Supplemental Construction Contract Amount.
- (3) CMHP's market capitalisation is based upon 1,159,124,305 Shares as at 22 June 2015 at a volume weighted average price of S\$1.051 for each Share, and expressed in HK\$ based on an exchange rate of S\$1.00 : HK\$5.6352.

As the relative figure in relation to the Guixing Acquisition and the Guiyang Acquisition computed on an aggregate basis under Rule 1006(c) exceeds 20 per cent., the Guixing Acquisition and the Guiyang Acquisition on an aggregate basis constitute a major transaction for CMHP as defined in Chapter 10 of the Listing Manual. Accordingly, the Guixing Acquisition and the Guiyang Acquisition are both subject to the approval of the Shareholders.

LETTER TO SHAREHOLDERS

- (d) **Yangping Acquisition.** The relative figures in relation to the Yangping Acquisition computed on the applicable bases set out in Rule 1006 are as follows:

Rule 1006	Bases	Yangping Acquisition (HK\$ million)	CMHP Group (HK\$ million)	Relative Figures (%)
(b)	Net losses based on 100% of the Yangping Target's net losses compared with the CMHP Group's net profits ⁽¹⁾	(40.146)	1,348.114	(2.98)
(c)	The Yangping Consideration (as defined in paragraph 9.3 below) payable compared with CMHP's market capitalisation ⁽²⁾	1,070.600	6,865.024	15.59

Notes:

- (1) The net losses before tax, minority interests and exceptional items attributable to the Yangping Target for FY2014 have been compared with the CMHP Group's net profits before tax, minority interests and exceptional items for FY2014.
- (2) CMHP's market capitalisation is based upon 1,159,124,305 Shares as at 22 June 2015 at a volume weighted average price of S\$1.051 for each Share, and expressed in HK\$ based on an exchange rate of S\$1.00 : HK\$5.6352.

As the relative figure in relation to the Yangping Acquisition under Rule 1006(c) exceeds five (5) per cent. but does not exceed 20 per cent., the Yangping Acquisition constitutes a discloseable transaction for CMHP as defined in Chapter 10 of the Listing Manual. However, as the relative figure in relation to the Yangping Acquisition under Rule 1006(b) is a negative figure, CMHP will seek the approval of the Shareholders for the Yangping Acquisition.

- 1.4 Preferential Offering.** On 30 July 2015, the Company announced the proposed non-renounceable non-underwritten preferential offering (the "**Preferential Offering**") of up to 633,756,189 new Shares (the "**New Shares**") to raise proceeds (net of estimated costs and expenses incurred in connection with the Preferential Offering) of approximately S\$633,000,000.00 (approximately RMB2,872,364,100.00 based on an exchange rate of S\$1.00 : RMB4.5377) to fund part of the aggregate consideration payable for the Acquisitions. The New Shares are offered at an issue price of S\$1.00 for each New Share, on the basis of one (1) New Share for every two (2) existing Shares held by entitled Shareholders as at a time and date to be determined by the Directors for the purpose of determining the entitlements of the Shareholders under the Preferential Offering, fractional entitlements to be disregarded.

The Preferential Offering is subject to, *inter alia*, the Company obtaining approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST.

As the number of New Shares to be issued pursuant to the Preferential Offering falls within the applicable limit of the authority granted by, and the share issue mandate approved by, the Shareholders at the Company's Annual General Meeting held on 30 April 2015, the Company will not be seeking specific approval from the Shareholders for the Preferential Offering.

LETTER TO SHAREHOLDERS

Further details of the Preferential Offering are set out in the Company's announcement dated 30 July 2015 in relation to the Preferential Offering, a copy of which is available on the website of the SGX-ST at www.sgx.com.

- 1.5 Circular.** The purpose of this Circular is to provide the Shareholders with relevant information relating to the Acquisitions, including the rationale and the updated pro forma financial effects of the Acquisitions on the CMHP Group, and to seek the approval of the Shareholders for the matters set out in the Ordinary Resolutions relating to the Acquisitions to be proposed at the EGM.

The notice of the Ordinary Resolutions relating to the Acquisitions to be proposed at the EGM is set out on pages 131 to 133 of this Circular.

2. INFORMATION ON GUIXING SPV, THE GUIXING TARGET AND THE GUIXING EXPRESSWAY

- 2.1 Guixing SPV.** Guixing SPV was incorporated in Singapore on 12 June 2015 as a direct wholly-owned subsidiary of the Company with an issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share, for the purpose of holding the Company's interest in the Guixing Target on Completion of the Guixing Acquisition (the "**Guixing Completion**").

- 2.2 The Guixing Target.** The Guixing Target is a company incorporated in the PRC which owns the rights to operate the Guixing Expressway. As at the Latest Practicable Date, Guangxi Guizheng and Guizheng Construction own 93.2 per cent. of the issued shares in the capital of the Guixing Target and 6.8 per cent. of the issued shares in the capital of the Guixing Target respectively, collectively representing the Guixing Target Shares.

From the appraisal of Zhonghe Appraisal Co., Ltd. ("**Zhonghe**") based on generally accepted valuation procedures and practices, the market value of the Guixing Target Shares, which comprise 100 per cent. of the equity interest in the Guixing Target, is approximately RMB1,578 million (approximately HK\$2,000 million) as at 31 December 2014. In order to determine the market value of the Guixing Target Shares, Zhonghe has conducted an analysis based on (a) the income approach which calculates the present value of the discounted anticipated net cash flows of the Guixing Target and (b) the market approach which compares the Guixing Target to similar businesses or business ownership interests, and adopted the result based on the income approach.

Zhonghe was incorporated in the PRC in 1989 and is one of the first appraisal companies approved by the State Asset Administrative Bureau and the China Securities and Regulatory Commission to conduct valuation business at the state level. Zhonghe and its affiliates possess the necessary qualifications to conduct land appraisal, real estate appraisal as well as construction cost estimation. Among its professionals, there are about 70 certified public valuers, 20 certified real estate valuers and 20 certified land valuers, enabling it to provide comprehensive appraisal services for its clients. Zhonghe has conducted valuations for various expressway projects in the PRC, including the Wenzhou Yongtaiwen Expressway (Wenzhou Section) (甬台温高速公路温州段) (the "**Yongtaiwen Expressway**"), the Ningbo Beilun Port Expressway (Daqi-Xiwu Section) (同三国道主干线宁波境内大至西坞段高速公路) (the "**Beilun Port Expressway**") and other expressways located in Jiangsu, Zhejiang and Henan Provinces, PRC.

LETTER TO SHAREHOLDERS

A copy of the valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Guixing Target Shares as at 31 December 2014 (the “**Guixing Target Valuation Report**”) is attached as **Appendix D** to this Circular.

2.3 The Guixing Expressway

Summary of Key Operating Data

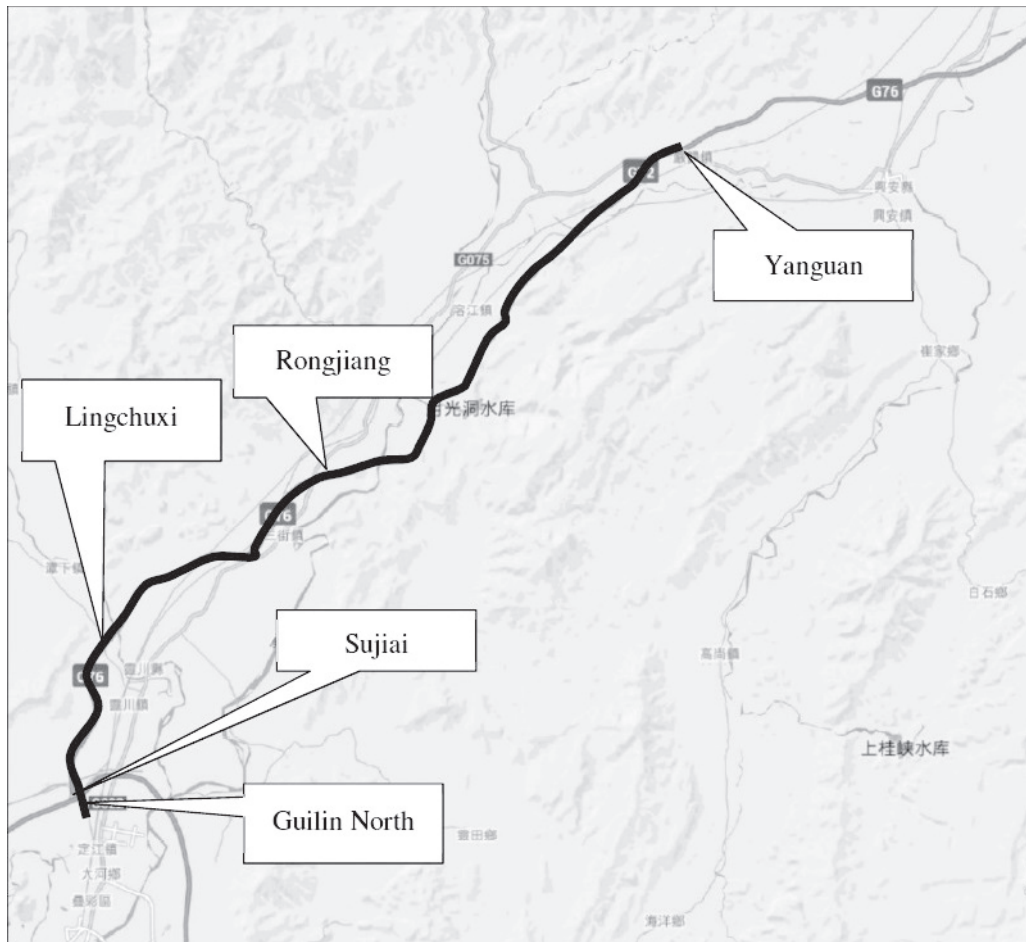
Guixing Expressway	
Location	Guilin Municipality, Guangxi, PRC
No. of road sections	One (1)
Length (km)	53.4
Classification	Expressway
Access control	Restricted users (motorised goods and passengers only)
Direction/lanes	Two (2) directions, two (2) lanes each direction
Design speed (km/h)	120
Design capacity (vehicles per day)	62,000
Concession period (years)	29
Date of commencement	2 April 2013
Date of expiry	1 April 2042

General Information

The Guixing Expressway is part of the G72 National Expressway System of China connecting Quanzhou Municipality of Fujian Province, PRC, and Nanning Municipality of Guangxi, PRC, serving the north-south traffic demand. It is a four (4)-lane carriageway (Dual-2) located at the northern area of Guilin Municipality, PRC, connecting Guilin urban area with Xing'an County, PRC, in the north-east of Guangxi, PRC, with a total length of 53.4 km. The Guixing Expressway connects with the expressway from Quanzhou to Xing'an at Meicundong of Xing'an County, PRC, and passes by Yanguan, Rongjiang, Lingchuanxi, Sujia interchange and the Guilin North Toll Station. The Guixing Expressway is the key link serving both local and external traffic demand and an important inter-provincial boundary crossing serving the north-south traffic demand.

LETTER TO SHAREHOLDERS

Location of the Guixing Expressway¹



Competitive Strengths

Over the period from 2006 to 2013, the average growth in the gross domestic product (“GDP”) of Guangxi, PRC, was more than 17 per cent. per annum.² It is anticipated that economic growth will continue and will remain the major portion of the area’s economic development. In addition, the road passenger traffic demand of Guangxi, PRC, increased at the rate of 8.4 per cent. per annum from 2006 to 2013, while the road freight traffic demand increased at the rate of 18.4 per cent. per annum from 2006 to 2013.³

Toll Collection

The toll collection system for the Guixing Expressway is in the form of a closed system with computerised toll validation. Toll is charged according to the type of vehicle and distance travelled. Upon entering the Guixing Expressway, each vehicle is issued an encoded ticket (either magnetic or integrated circuit card) that records the vehicle type and the name of the

¹ Source: Page 2 of the Guixing Traffic Consultant’s Report (Traffic and Revenue Forecast Study).

² Source: Page 9 of the Guixing Traffic Consultant’s Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

³ Source: Page 18 of the Guixing Traffic Consultant’s Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

LETTER TO SHAREHOLDERS

entry station. When the vehicle exits the expressway, the ticket is surrendered and the toll amount is then calculated based on the distance between the entry toll station and the exit toll station, and the vehicle type. As at the Latest Practicable Date, there are five (5) toll stations along the Guixing Expressway, comprising Yanguan, Rongjiang (which will be open in 2016), Lingchuanxi, Sujia interchange and the Guilin North Toll Station.

Toll Rates and Income⁴

The existing toll rates are as follows (these toll rates apply to all toll stations along the Guixing Expressway):

Guixing Expressway Toll Rates

Toll Rate Category	Vehicle Class	Toll Rate
By vehicle class RMB/km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By weight	Goods vehicle	0.08/Ton-km
Non-toll	Official toll exemption	

Bridge (B) and Tunnel (T) Toll Rates

Vehicle Class	Toll Rate	Before 1 August 2016			On and After 1 August 2016		
		Class 1 B/T ⁽¹⁾	Class 2 B/T ⁽²⁾	Class 3 B/T ⁽³⁾	Class 1 B/T ⁽¹⁾	Class 2 B/T ⁽²⁾	Class 3 B/T ⁽³⁾
Class 1	RMB/exit	1.20	2.20	3.20	1.50	2.50	3.50
Class 2		2.40	4.40	6.40	3.00	5.00	7.00
Class 3		3.00	5.50	8.00	3.75	6.25	8.75
Class 4		3.60	6.60	9.60	4.50	7.50	10.50
Class 5		3.60	6.60	9.60	4.50	7.50	10.50
Goods vehicle	RMB/Ton-km	0.10			0.15		

Notes:

- (1) Class 1 B/T includes Tuzhai Interchange, Liangmutang Flyover and Xiabei Lijiang.
- (2) Not applicable to the Guixing Expressway.
- (3) Not applicable to the Guixing Expressway.

There is no minimum toll income revenue guaranteed by the relevant PRC governmental authorities.

⁴ Source: Page 30 of the Guixing Traffic Consultant's Report (Traffic and Revenue Forecast Study).

LETTER TO SHAREHOLDERS

Concession Period

Toll collections by the Guixing Target on the Guixing Expressway commenced on 2 April 2013. The Guixing Target's toll operating rights for the Guixing Expressway, which have been provisionally granted to the Guixing Target for a period of 29 years, will only be formally granted to the Guixing Target by the relevant governmental authorities in Guangxi, PRC, upon the completion of the Outstanding Guixing Expressway Works (as defined in **paragraph 3.8** below) and the inspection of the Guixing Expressway by the relevant PRC governmental authorities.

3. PRINCIPAL TERMS OF THE GUIXING ACQUISITION

- 3.1 Guixing SPA.** Pursuant to the terms of the Guixing SPA, the Guixing Sellers shall sell, and Guixing SPV shall purchase, the Guixing Target Shares on the date falling one (1) day after the satisfaction or waiver of all the Guixing Conditions (as defined in **paragraph 3.5** below) in accordance with the terms of the Guixing SPA (or such other date as may be agreed in writing between Guixing SPV, the Guixing Sellers and the Guixing Target) (the "**Guixing Completion Date**"), free from any lien, mortgage, hypothecation, pledge, security interest, option, pre-emptive right, other statutory or prescribed encumbrance or any claim, right or privilege that may become any of the foregoing ("**Encumbrances**").
- 3.2 Alternative Acquiror.** Pursuant to the terms of the Guixing SPA, if Guixing SPV is prohibited from acquiring the Guixing Target Shares due to any applicable PRC governmental or regulatory requirements, CMHP shall be entitled to nominate an alternative acquiror for the Guixing Target Shares, who will assume all the rights and obligations of Guixing SPV under the Guixing SPA.
- 3.3 Consideration.** The 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) for the Guixing Acquisition (the "**Guixing Consideration**") was arrived at on a willing seller willing buyer basis after taking into account (a) the market value of the Guixing Target Shares of approximately RMB1,578 million (approximately HK\$2,000 million) as at 31 December 2014, which was independently appraised by Zhonghe, (b) the results of the independent traffic and revenue forecast studies on the Guixing Expressway prepared by THI Asia Consultants Limited ("**THI Asia**") (the "**Guixing Traffic Consultant's Report**") and (c) the rationale for the Acquisitions. Pursuant to the terms of the Guixing SPA, there will not be any adjustments to the Guixing Consideration to take into account any profit or loss arising from the ordinary course of business of the Guixing Target from 31 December 2014 to the Guixing Completion Date.

THI Asia was established in 1989 and provides professional consulting services in the transportation and land development sector, including toll road projects in the PRC. THI Asia has provided professional consulting services for more than 50 toll road projects in the past decade, including traffic and revenue forecasts as well as operation and maintenance cost estimations for toll road projects in Guangxi, Guangdong and Hunan Provinces, PRC, as well as in Sri Lanka.

The Guixing Consideration shall be paid in cash by Guixing SPV to the Guixing Sellers (in proportion to their respective shareholding interests in the Guixing Target) within 30 business days from the Guixing Completion Date, and will be funded by CMHP using the net proceeds of the Preferential Offering in conjunction with external bank borrowings.

LETTER TO SHAREHOLDERS

3.4 Pre-Conditions. Pursuant to the terms of the Guixing SPA, the Guixing SPA shall only become effective upon the satisfaction of the following pre-conditions (the “**Guixing Pre-Conditions**”):

- (a) the approval of the Ministry of Commerce of the PRC or the Department of Commerce of Guangxi (or such other competent authority in charge of commerce in the PRC) (“**MOFCOM**”) for the Guixing Acquisition, the Guixing SPA and the new articles of association of the Guixing Target;
- (b) the approval of the Shareholders for the Guixing Acquisition at the EGM; and
- (c) the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Guixing Acquisition.

As at the Latest Practicable Date, the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Guixing Acquisition has been obtained. Accordingly, as at the Latest Practicable Date, the Guixing Pre-Condition set out in **paragraph 3.4(c)** above has been satisfied.

3.5 Conditions Precedent. Pursuant to the terms of the Guixing SPA, the Guixing Completion is subject to and conditional upon the satisfaction or waiver (as the case may be) of, *inter alia*, the conditions precedent (the “**Guixing Conditions**”) set out below.

The satisfaction of the following Guixing Conditions is subject to confirmation by Guixing SPV and the Guixing Sellers on or before the Guixing Completion Date:

- (a) the relevant PRC governmental approvals for the Guixing Acquisition (the “**Guixing Governmental Approvals**”) being obtained and disclosed in accordance with the applicable PRC governmental or regulatory requirements, including the approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Guixing Target, the new articles of association of the Guixing Target and the change of the legal representative of the Guixing Target (the “**Guixing AIC Registration Approval Notice**”);
- (b) there are no applicable PRC governmental or regulatory requirements or orders which prohibit the Guixing Completion; and
- (c) all authorisations, consents, approvals or waivers necessary for the performance of the Guixing SPA and the Guixing Completion being obtained by each party and remaining in full force and effect as at the Guixing Completion Date, and there being no applicable PRC governmental or regulatory requirements or orders which prohibit, restrict or materially delay the Guixing Completion or result in any material adverse effect on the Guixing Target after the Guixing Completion.

LETTER TO SHAREHOLDERS

The satisfaction or waiver of the following Guixing Conditions is subject to confirmation by Guixing SPV on or before the Guixing Completion Date:

- (i) the representations and warranties made by the Guixing Sellers under the Guixing SPA being true and accurate as if they were made on the Guixing Completion Date (save for such representations and warranties which are made with reference to a specific date);
- (ii) all covenants to be performed by the Guixing Sellers on or before the Guixing Completion Date having been duly performed in all respects;
- (iii) the approval of the shareholders of the Guixing Target being obtained in respect of the new articles of association of the Guixing Target, the Guixing Acquisition and change of the legal representative of the Guixing Target;
- (iv) the Guixing AIC Registration Approval Notice being obtained;
- (v) there being no material adverse effect to the Guixing Completion from the date of the Guixing SPA to the Guixing Completion Date;
- (vi) the discharge of the security interest over the Guixing Target Shares created by the Guixing Sellers or the completion of the registration of change of such security interest;
- (vii) written consents being obtained by the Guixing Target from Bank of China Limited (Shenzhen Branch), Bank of China Limited (Guilin Branch) and China Merchants Bank Co., Ltd. (Nanning Branch) for the Guixing Acquisition and for the early repayment of certain loans and their waiver of any liability for breaches that may arise as a result of such early repayment;
- (viii) other than borrowings from the Guixing Sellers and other related entities of the Guixing Sellers (collectively, the **"Guixing Related Parties"**), there being no borrowings by the Guixing Target from other parties as at the Guixing Completion Date;
- (ix) the Guixing Target having made all relevant payments of social insurance premiums and housing fund contributions for all its current employees in accordance with applicable PRC governmental or regulatory requirements, and the Guixing Target having ceased all such payments and contributions in respect of any person who has not signed an employment agreement with the Guixing Target or who is not actually employed by the Guixing Target;
- (x) the completion of the completion audit and due diligence exercise conducted by Guixing SPV on the Guixing Target, the results of which are reasonably satisfactory to Guixing SPV; and
- (xi) the provision of a certificate to Guixing SPV from each of the duly authorised persons of the Guixing Sellers and the Guixing Target confirming the satisfaction of the Guixing Conditions set out in **paragraphs 3.5(i) to 3.5(x)** above, together with the relevant supporting documents.

LETTER TO SHAREHOLDERS

The satisfaction or waiver of the following Guixing Conditions is subject to confirmation by the Guixing Sellers on or before the Guixing Completion Date:

- (A) the representations and warranties made by Guixing SPV under the Guixing SPA being true and accurate in all material respects as if they were made on the Guixing Completion Date;
- (B) all covenants to be performed by Guixing SPV on or before the Guixing Completion Date having been duly performed in all material respects; and
- (C) the provision of a certificate to the Guixing Sellers from the duly authorised persons of Guixing SPV confirming the satisfaction of the Guixing Conditions set out in **paragraphs 3.5(A) and 3.5(B)** above.

As at the Latest Practicable Date, the approval of the shareholders of the Guixing Target has been obtained in respect of the new articles of association of the Guixing Target, the Guixing Acquisition and change of the legal representative of the Guixing Target, and Guixing SPV has confirmed the receipt of such approval. Accordingly, as at the Latest Practicable Date, the Guixing Condition set out in **paragraph 3.5(iii)** above has been satisfied.

- 3.6 Long-Stop Date.** Pursuant to the terms of the Guixing SPA, in the event that the Guixing Governmental Approvals are not obtained within 365 days after the execution of the Guixing SPA (or such other later date as may be agreed in writing between Guixing SPV and the Guixing Sellers), either Guixing SPV or the Guixing Sellers will be entitled to terminate the Guixing SPA without any liability by providing the other party with a written notice of termination (unless the party seeking to terminate is in material breach of its obligations under the Guixing SPA).
- 3.7 Break Fee.** Pursuant to the terms of the Guixing SPA, in the event the Guixing Pre-Conditions and/or the Guixing Conditions cannot be satisfied and such non-satisfaction is attributable to a party to the Guixing SPA, such party shall be liable to pay RMB50 million (approximately HK\$63 million based on an exchange rate of RMB1.00 : HK\$1.2625) to the other parties.
- 3.8 Outstanding Guixing Expressway Works.** Pursuant to the terms of the Guixing SPA, Guixing SPV, the Guixing Sellers and the Guixing Target have agreed that the construction of a toll station at the proposed Rongjiang exit of the Guixing Expressway (including an inspection of the Guixing Expressway by the relevant PRC governmental authorities) (the “**Outstanding Guixing Expressway Works**”) should be completed within one (1) year after the Guixing Completion Date. In relation to the Outstanding Guixing Expressway Works, the Company understands that the Guixing Target had on 23 June 2015 entered into a supplemental construction contract (the “**Guixing Supplemental Construction Contract**”) with Guizheng Construction and Hunan Road and Bridge Construction Co., Ltd. (湖南路桥建设集团有限责任公司) (“**Hunan Construction**”), pursuant to which the Guixing Target will pay RMB154,390,000 (the “**Guixing Supplemental Construction Contract Amount**”) to Guizheng Construction and/or Hunan Construction to complete the Outstanding Guixing Expressway Works within two (2) years from the date of signing of the Guixing Supplemental Construction Contract.

LETTER TO SHAREHOLDERS

Pursuant to the terms of the Guixing SPA, the Guixing Sellers will indemnify Guixing SPV and its transferees, successors and assigns (or the Guixing Target at Guixing SPV's option) for any actual losses suffered by such party in the event that, *inter alia*, the Outstanding Guixing Expressway Works and the inspection of the Guixing Expressway by the relevant PRC governmental authorities cannot be completed on schedule.

The non-completion of the Outstanding Guixing Expressway Works is not expected to materially affect the normal operations of the Guixing Expressway and toll collections by the Guixing Target in respect of the Guixing Expressway. In the event that the Outstanding Guixing Expressway Works cannot be completed, the Company intends to assist the Guixing Target to liaise with the relevant PRC governmental authorities to obtain, *inter alia*, the necessary approvals for the change in the construction requirements of the Guixing Expressway and the inspection of the Guixing Expressway by the relevant PRC governmental authorities, as well as the formal grant of the Guixing Target's toll operating rights for the Guixing Expressway.

3.9 Outstanding Guixing Expressway Project Costs. Pursuant to the terms of the Guixing SPA, Guixing SPV, the Guixing Sellers and the Guixing Target have agreed that the Guixing Sellers shall be liable for the payments of any outstanding project costs and settlement of payments with Hunan Construction in relation to the construction of the Guixing Expressway (excluding costs related to the Outstanding Guixing Expressway Works) (the “**Outstanding Guixing Expressway Project Costs**”) owing to Hunan Construction in excess of RMB3,382,325,096.86.

3.10 Guixing Related Party Loans. Pursuant to the terms of the Guixing SPA, the Guixing Target will repay the interest-free loans currently extended by the Guixing Related Parties, in an aggregate amount of RMB452,302,312.27 (as at the date of the Guixing SPA) (the “**Guixing Related Party Loans**”), in instalments as follows:

- (a) within six (6) months after the Guixing Completion Date, the Guixing Target will repay RMB252,302,312.27 of the Guixing Related Party Loans to the relevant Guixing Related Parties;
- (b) following the completion of the Outstanding Guixing Expressway Works (including an inspection of the Guixing Expressway by the relevant PRC governmental authorities), the Guixing Target will repay RMB100,000,000 of the Guixing Related Party Loans to the relevant Guixing Related Parties; and
- (c) subject to the completion of the Outstanding Guixing Expressway Works (including an inspection of the Guixing Expressway by the relevant PRC governmental authorities), the Guixing Target will repay the remaining RMB100,000,000 of the Guixing Related Party Loans to the relevant Guixing Related Parties following the lapse of two (2) years from the Guixing Completion Date, after making any deductions for damages payable by the Guixing Sellers in accordance with the terms of the Guixing SPA.

The Company will undertake additional bank borrowings to inject additional working capital into the Guixing Target to meet the Guixing Target's short-term obligations, including the repayment of the Guixing Related Party Loans, while the repayment of the Guixing Target's bank loans will be funded by the expected cash flows from the operations of the Guixing Target.

LETTER TO SHAREHOLDERS

3.11 Guixing Undisclosed Obligations. Pursuant to the terms of the Guixing SPA, Guixing SPV, the Guixing Sellers and the Guixing Target have agreed that, in relation to material contracts entered into by, as well as the payment obligations and debt obligations of, the Guixing Target that have not been disclosed to Guixing SPV pursuant to the Guixing SPA (the “**Guixing Undisclosed Obligations**”):

- (a) in respect of the Guixing Undisclosed Obligations that remain unfulfilled by the Guixing Target and can remain unfulfilled without any liability or obligation on the part of the Guixing Target, the Guixing Target will either (i) enter into a termination agreement with the relevant counterparties to terminate such Guixing Undisclosed Obligations or (ii) enter into a supplemental agreement with the relevant counterparties and the Guixing Sellers, pursuant to which the Guixing Sellers will assume the payment obligations and liabilities of the Guixing Target. The Guixing Sellers will also reimburse the Guixing Target for any amounts already paid by the Guixing Target pursuant to such Guixing Undisclosed Obligations;
- (b) in respect of the Guixing Undisclosed Obligations that have already been fulfilled by the Guixing Target and the Guixing Target has residual payment obligations thereunder, the Guixing Target will enter into a supplemental agreement with the relevant counterparties and the Guixing Sellers, pursuant to which the Guixing Sellers will assume the payment obligations and liabilities of the Guixing Target; and
- (c) in respect of the Guixing Undisclosed Obligations that have already been fulfilled by the Guixing Target and the Guixing Target has no further payment obligations thereunder, the Guixing Sellers will reimburse the Guixing Target for any amounts paid by the Guixing Target pursuant to such Guixing Undisclosed Obligations.

In respect of any amounts payable by the Guixing Sellers to the Guixing Target pursuant to the arrangements under the Guixing SPA in respect of the Guixing Undisclosed Obligations (as described in this **paragraph 3.11**) and which remain unpaid, Guixing SPV is entitled to deduct such amounts from the Guixing Consideration or the Guixing Related Party Loans.

4. FINANCIAL INFORMATION ON THE GUIXING TARGET

4.1 Net Profit. Based on the audited financial statements of the Guixing Target for FY2014, the net profit before tax, minority interests and exceptional items of the Guixing Target for FY2014 is approximately HK\$44,534,585.

4.2 Market Value. CMHP has appointed THI Asia to conduct independent traffic and revenue forecast studies on the Guixing Expressway and to prepare the Guixing Traffic Consultant's Report, as well as Zhonghe to appraise the market value of the Guixing Target Shares as at 31 December 2014.

The Guixing Traffic Consultant's Report was prepared based on, *inter alia*, the following assumptions:

(a) Economic growth assumptions

The future economic growth trend in Guangxi, PRC, will be in line with national GDP growth factors. The adopted conservative and optimistic economic growth assumptions are given in the table below:

LETTER TO SHAREHOLDERS

Annual GDP Growth Assumptions

Year	Conservative (%)	Optimistic (%)
2015	9.8	10.8
2016-2020	8.8	9.7
2021-2025	8.4	9.2
2026-2030	7.9	8.7
2031-2035	7.5	8.3
2036-2040	7.2	7.9
2041-2045	6.8	7.5

(b) Network assumptions

There are a number of new expressways under construction or being planned in the vicinity of Guangxi, PRC. The new expressways which may affect the traffic flows of the Guixing Expressway include:

- (i) Xinglong Expressway (expected to be operational at the end of 2016);
- (ii) Yanglu Expressway (expected to be operational in mid-2017);
- (iii) Guisan Expressway (expected to be operational at the end of 2017);
- (iv) Zixing Expressway (expected to be operational in 2017);
- (v) National Highway G321 Guilin section (expected to be completed in 2017);
- (vi) Liuwu Expressway (expected to be operational in 2018);
- (vii) Liyu Expressway (expected to be operational in 2019); and
- (viii) Guanping Expressway (expected to be operational in 2020).

(c) Toll rate increase assumptions

The toll rates are assumed to be increased by 15 per cent. for every seven (7) years starting from year 2022.

Pursuant to an estimation study of the future operation and maintenance costs for the Guixing Expressway, THI Asia has also concluded that such operation and maintenance costs are reasonable based on the conditions of the Guixing Expressway and the anticipated level of traffic, and that the management costs for the Guixing Target are estimated on the basis of past and existing costs of the Guixing Target. The detailed conclusions of THI Asia can be found in the Guixing Traffic Consultant's Report, an executive summary of which is attached as **Appendix A** to this Circular.

LETTER TO SHAREHOLDERS

According to Zhonghe's appraisals based on generally accepted valuation procedures and practices, the market value of the Guixing Target Shares is approximately RMB1,578 million (approximately HK\$2,000 million) as at 31 December 2014. A copy of the Guixing Target Valuation Report is attached as **Appendix D** to this Circular.

- 4.3 NAV, NTA and Working Capital.** Based on the audited financial statements of the Guixing Target for FY2014, the net asset value ("**NAV**") of the Guixing Target Shares as at 31 December 2014 is approximately RMB1,052,752,234 (approximately HK\$1,334,468,731), the net tangible asset ("**NTA**") value of the Guixing Target Shares as at 31 December 2014 is approximately negative RMB2,278,581,866 (approximately negative HK\$2,888,330,373) and the working capital of the Guixing Target is approximately negative RMB720,808,564 (approximately negative HK\$913,696,935).⁵

5. INFORMATION ON GUIYANG SPV, THE GUIYANG TARGET AND THE GUIYANG EXPRESSWAY

- 5.1 Guiyang SPV.** Guiyang SPV was incorporated in Singapore on 12 June 2015 as a direct wholly-owned subsidiary of the Company with an issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share, for the purpose of holding the Company's interest in the Guiyang Target on Completion of the Guiyang Acquisition (the "**Guiyang Completion**").

- 5.2 The Guiyang Target.** The Guiyang Target is a company incorporated in the PRC which owns the rights to operate the Guiyang Expressway. As at the Latest Practicable Date, Guangxi Guizheng, Guizheng Construction and Guizheng Industrial own 58.31 per cent. of the issued shares in the capital of the Guiyang Target, 19.88 per cent. of the issued shares in the capital of the Guiyang Target and 21.81 per cent. of the issued shares in the capital of the Guiyang Target respectively, collectively representing the Guiyang Target Shares.

From the appraisal of Zhonghe based on generally accepted valuation procedures and practices, the market value of the Guiyang Target Shares, which comprise 100 per cent. of the equity interest in the Guiyang Target, is approximately RMB932 million (approximately HK\$1,181 million) as at 31 December 2014. In order to determine the market value of the Guiyang Target Shares, Zhonghe has conducted an analysis based on (a) the income approach which calculates the present value of the discounted anticipated net cash flows of the Guiyang Target and (b) the market approach which compares the Guiyang Target to similar businesses or business ownership interests, and adopted the result based on the income approach.

A copy of the valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Guiyang Target Shares as at 31 December 2014 (the "**Guiyang Target Valuation Report**") is attached as **Appendix E** to this Circular.

⁵ Based on an auditor's report dated 20 April 2015 prepared by ShineWing Certified Public Accountants ("**Shinewing**") in relation to the audited financial statements of the Guixing Target for FY2014, it was highlighted that Shinewing was unable to express its opinion on the accuracy of intangible assets and balances on advances and payables related to the Guixing Target's toll operating rights for the Guixing Expressway, specifically in relation to an amount of RMB493,510,000 which was included in the closing balance of intangible assets as payments advanced to Hunan Construction, due to the fact that, as of the date of the auditor's report, the Guixing Target had not reached an agreement on the Outstanding Guixing Expressway Project Costs.

LETTER TO SHAREHOLDERS

5.3 The Guiyang Expressway

Summary of Key Operating Data

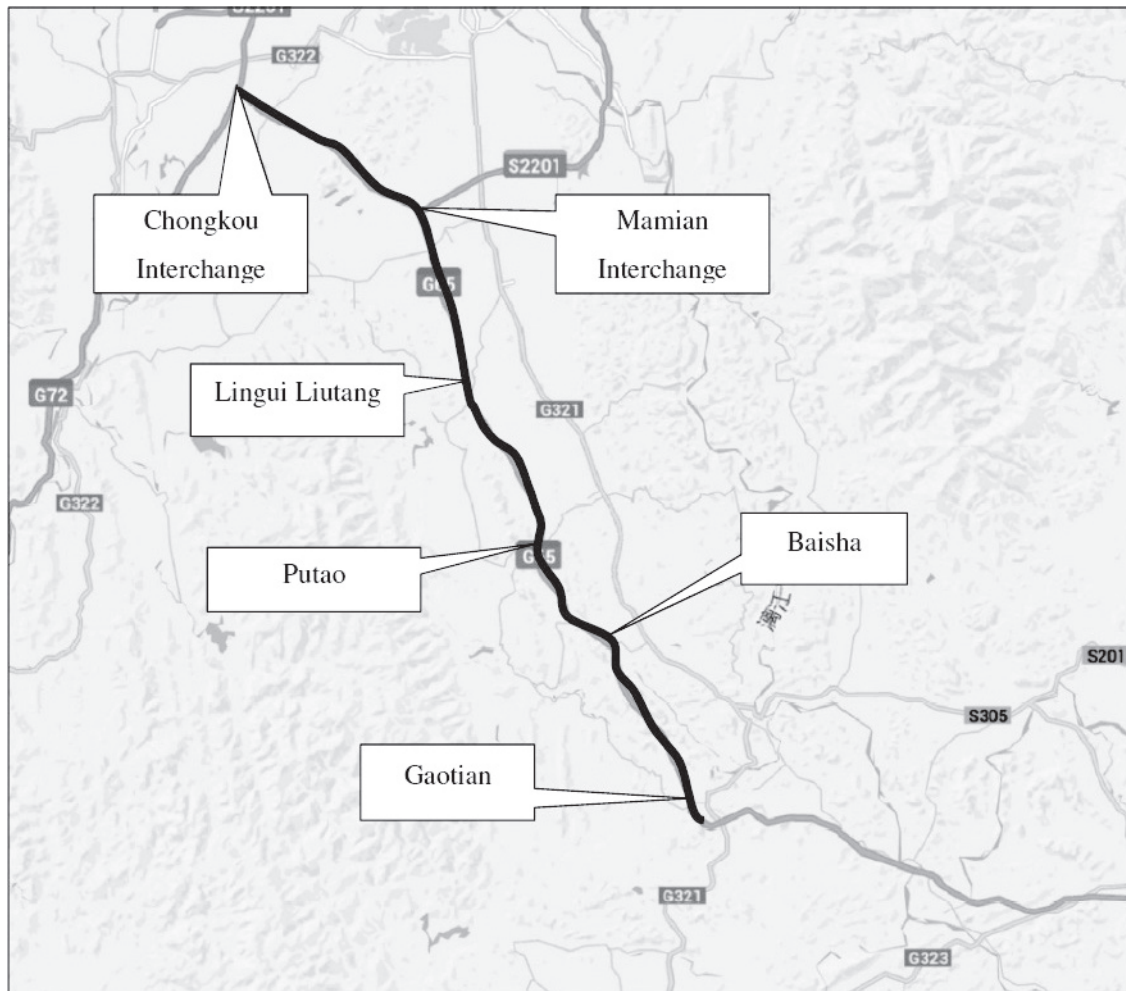
Guiyang Expressway	
Location	Guilin Municipality, Guangxi, PRC
No. of road sections	One (1)
Length (km)	67
Classification	Expressway
Access control	Restricted users (motorised goods and passengers only)
Direction/lanes	Two (2) directions, two (2) lanes each direction
Design speed (km/h)	120
Design capacity (vehicles per day)	62,000
Concession period (years)	29
Date of commencement	1 August 2008
Date of expiry	31 July 2037

General Information

The Guiyang Expressway is part of the G65 National Expressway System of China connecting Baotou Municipality of Inner Mongolia, PRC, and Maoming Municipality of Guangdong Province, PRC, serving the north-south traffic demand. It is a four (4)-lane carriageway (Dual-2) located at the southern area of Guilin Municipality, PRC, connecting Guilin urban area with Yangshuo County, PRC, in the north-east of Guangxi, PRC, with a total length of 67 km. The Guiyang Expressway starts at Chongkou interchange of Guilin Ring road and passes by Mamian interchange, Lingui Liutang, Putao, Baisha and Gaotian in Yangshuo County, PRC. The Guiyang Expressway is the key link serving both local and external traffic demand and an important inter-provincial boundary crossing serving the north-south traffic demand.

LETTER TO SHAREHOLDERS

Location of the Guiyang Expressway⁶



Competitive Strengths

Over the period from 2006 to 2013, the average growth in the GDP of Guangxi, PRC, was more than 17 per cent. per annum.⁷ It is anticipated that economic growth will continue and will remain the major portion of the area's economic development. In addition, the road passenger traffic demand of Guangxi, PRC, increased at the rate of 8.4 per cent. per annum from 2006 to 2013, while the road freight traffic demand increased at the rate of 18.4 per cent. per annum from 2006 to 2013.⁸

⁶ Source: Page 2 of the Guiyang Traffic Consultant's Report (Traffic and Revenue Forecast Study).

⁷ Source: Page 9 of the Guiyang Traffic Consultant's Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

⁸ Source: Page 18 of the Guiyang Traffic Consultant's Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

LETTER TO SHAREHOLDERS

Toll Collection

The toll collection system for the Guiyang Expressway is in the form of a closed system with computerised toll validation. Toll is charged according to the type of vehicle and distance travelled. Upon entering the Guiyang Expressway, each vehicle is issued an encoded ticket (either magnetic or integrated circuit card) that records the vehicle type and the name of the entry station. When the vehicle exits the expressway, the ticket is surrendered and the toll amount is then calculated based on the distance between the entry toll station and the exit toll station, and the vehicle type. As at the Latest Practicable Date, there are six (6) toll stations along the Guiyang Expressway, comprising Chongkou interchange, Mamian interchange, Lingui Liutang, Putao, Baisha and Gaotian.

Toll Rates and Income⁹

The existing toll rates are as follows (these toll rates apply to all toll stations along the Guiyang Expressway):

Guiyang Expressway Toll Rates

Toll Rate Category	Vehicle Class	Toll Rate
By vehicle class RMB/km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By weight	Goods vehicle	0.08/Ton-km
Non-toll	Official toll exemption	

There is no minimum toll income revenue guaranteed by the relevant PRC governmental authorities.

Concession Period

Toll collections by the Guiyang Target on the Guiyang Expressway commenced on 1 August 2008. The Guiyang Target's toll operating rights for the Guiyang Expressway were formally granted by the relevant governmental authorities in Guangxi, PRC, for a period of 29 years, from 1 August 2008 to 31 July 2037.

6. PRINCIPAL TERMS OF THE GUIYANG ACQUISITION

- 6.1 Guiyang SPA.** Pursuant to the terms of the Guiyang SPA, the Guiyang Sellers shall sell, and Guiyang SPV shall purchase, the Guiyang Target Shares on the date falling one (1) day after the satisfaction or waiver of all the Guiyang Conditions (as defined in **paragraph 6.5** below) in accordance with the terms of the Guiyang SPA (or such other date as may be agreed in writing between Guiyang SPV, the Guiyang Sellers and the Guiyang Target) (the "**Guiyang Completion Date**"), free from any Encumbrances.

⁹ Source: Page 30 of the Guiyang Traffic Consultant's Report (Traffic and Revenue Forecast Study).

LETTER TO SHAREHOLDERS

6.2 Alternative Acquiror. Pursuant to the terms of the Guiyang SPA, if Guiyang SPV is prohibited from acquiring the Guiyang Target Shares due to any applicable PRC governmental or regulatory requirements, CMHP shall be entitled to nominate an alternative acquiror for the Guiyang Target Shares, who will assume all the rights and obligations of Guiyang SPV under the Guiyang SPA.

6.3 Consideration. The consideration of RMB930,000,000 (approximately HK\$1,174,125,000 based on an exchange rate of RMB1.00 : HK\$1.2625) for the Guiyang Acquisition (the “**Guiyang Consideration**”) was arrived at on a willing seller willing buyer basis after taking into account (a) the market value of the Guiyang Target Shares of approximately RMB932 million (approximately HK\$1,181 million) as at 31 December 2014, which was independently appraised by Zhonghe, (b) the results of the independent traffic and revenue forecast studies on the Guiyang Expressway prepared by THI Asia (the “**Guiyang Traffic Consultant’s Report**”) and (c) the rationale for the Acquisitions. Pursuant to the terms of the Guiyang SPA, there will not be any adjustments to the Guiyang Consideration to take into account any profit or loss arising from the ordinary course of business of the Guiyang Target from 31 December 2014 to the Guiyang Completion Date.

The Guiyang Consideration shall be paid in cash by Guiyang SPV to the Guiyang Sellers (in proportion to their respective shareholding interests in the Guiyang Target) within 30 business days from the Guiyang Completion Date, and will be funded by CMHP using the net proceeds of the Preferential Offering in conjunction with external bank borrowings.

6.4 Pre-Conditions. Pursuant to the terms of the Guiyang SPA, the Guiyang SPA shall only become effective upon the satisfaction of the following pre-conditions (the “**Guiyang Pre-Conditions**”):

- (a) the approval of MOFCOM for the Guiyang Acquisition, the Guiyang SPA and the new articles of association of the Guiyang Target;
- (b) the approval of the Shareholders for the Guiyang Acquisition at the EGM; and
- (c) the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Guiyang Acquisition.

As at the Latest Practicable Date, the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Guiyang Acquisition has been obtained. Accordingly, as at the Latest Practicable Date, the Guiyang Pre-Condition set out in **paragraph 6.4(c)** above has been satisfied.

6.5 Conditions Precedent. Pursuant to the terms of the Guiyang SPA, the Guiyang Completion is subject to and conditional upon the satisfaction or waiver (as the case may be) of, *inter alia*, the conditions precedent (the “**Guiyang Conditions**”) set out below.

LETTER TO SHAREHOLDERS

The satisfaction of the following Guiyang Conditions is subject to confirmation by Guiyang SPV and the Guiyang Sellers on or before the Guiyang Completion Date:

- (a) the relevant PRC governmental approvals for the Guiyang Acquisition (the “**Guiyang Governmental Approvals**”) being obtained and disclosed in accordance with the applicable PRC governmental or regulatory requirements, including the approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Guiyang Target, the new articles of association of the Guiyang Target and the change of the legal representative of the Guiyang Target (the “**Guiyang AIC Registration Approval Notice**”);
- (b) there are no applicable PRC governmental or regulatory requirements or orders which prohibit the Guiyang Completion; and
- (c) all authorisations, consents, approvals and waivers necessary for the performance of the Guiyang SPA and the Guiyang Completion being obtained by each party and remaining in full force and effect as at the Guiyang Completion Date, and there being no applicable PRC governmental or regulatory requirements or orders which prohibit, restrict or materially delay the Guiyang Completion or result in any material adverse effect on the Guiyang Target after the Guiyang Completion.

The satisfaction or waiver of the following Guiyang Conditions is subject to confirmation by Guiyang SPV before the Guiyang Completion Date:

- (i) the representations and warranties made by the Guiyang Sellers under the Guiyang SPA being true and accurate as if they were made on the Guiyang Completion Date (save for such representations and warranties which are made with reference to a specific date);
- (ii) all covenants to be performed by the Guiyang Sellers on or before the Guiyang Completion Date having been duly performed in all respects;
- (iii) the approval of the shareholders of the Guiyang Target being obtained in respect of the new articles of association of the Guiyang Target, the Guiyang Acquisition and change of the legal representative of the Guiyang Target;
- (iv) the Guiyang AIC Registration Approval Notice being obtained;
- (v) there being no material adverse effect to the Guiyang Completion from the date of the Guiyang SPA to the Guiyang Completion Date;
- (vi) the discharge of the security interest over the Guiyang Target Shares created by the Guiyang Sellers or the completion of the registration of change of such security interest;
- (vii) written consents being obtained by the Guiyang Target from China Merchants Bank Co., Ltd. (Nanning Branch), Agricultural Bank of China Limited (Guangxi Branch), Industrial and Commercial Bank of China Limited (Beihai Branch, Nanzhu Sub-branch) and Industrial and Commercial Bank of China Limited (Guilin Branch) for the Guiyang Acquisition and for the early repayment of certain loans and their waiver of any liability for breaches that may arise as a result of such early repayment;

LETTER TO SHAREHOLDERS

- (viii) other than borrowings from the Guiyang Sellers and other related entities of the Guiyang Sellers (collectively, the “**Guiyang Related Parties**”), there being no borrowings by the Guiyang Target from other parties as at the Guiyang Completion Date;
- (ix) the Guiyang Target having made all relevant payments of social insurance premiums and housing fund contributions for all its current employees in accordance with applicable PRC governmental or regulatory requirements, and the Guiyang Target having ceased all such payments and contributions in respect of any person who has not signed an employment agreement with the Guiyang Target or who is not actually employed by the Guiyang Target;
- (x) the completion of the completion audit and due diligence exercise conducted by Guiyang SPV on the Guiyang Target, the results of which are reasonably satisfactory to Guiyang SPV; and
- (xi) the provision of a certificate to Guiyang SPV from each of the duly authorised persons of the Guiyang Sellers and the Guiyang Target confirming the satisfaction of the Guiyang Conditions set out in **paragraphs 6.5(i) to 6.5(x)** above, together with the relevant supporting documents.

The satisfaction or waiver of the following Guiyang Conditions is subject to confirmation by the Guiyang Sellers on or before the Guiyang Completion Date:

- (A) the representations and warranties made by Guiyang SPV under the Guiyang SPA being true and accurate in all material respects as if they were made on the Guiyang Completion Date;
- (B) all covenants to be performed by Guiyang SPV on or before the Guiyang Completion Date having been duly performed in all material respects; and
- (C) the provision of a certificate to the Guiyang Sellers from the duly authorised persons of Guiyang SPV confirming the satisfaction of the Guiyang Conditions set out in **paragraphs 6.5(A) and 6.5(B)** above.

As at the Latest Practicable Date, the approval of the shareholders of the Guiyang Target has been obtained in respect of the new articles of association of the Guiyang Target, the Guiyang Acquisition and change of the legal representative of the Guiyang Target, and Guiyang SPV has confirmed the receipt of such approval. Accordingly, as at the Latest Practicable Date, the Guiyang Condition set out in **paragraph 6.5(iii)** above has been satisfied.

6.6 Long-Stop Date. Pursuant to the terms of the Guiyang SPA, in the event that the Guiyang Governmental Approvals are not obtained within 365 days after the execution of the Guiyang SPA (or such other later date as may be agreed in writing between Guiyang SPV and the Guiyang Sellers), either Guiyang SPV or the Guiyang Sellers will be entitled to terminate the Guiyang SPA without any liability by providing the other party with a written notice of termination (unless the party seeking to terminate is in material breach of its obligations under the Guiyang SPA).

LETTER TO SHAREHOLDERS

6.7 Break Fee. Pursuant to the terms of the Guiyang SPA, in the event the Guiyang Pre-Conditions and/or the Guiyang Conditions cannot be satisfied and such non-satisfaction is attributable to a party to the Guiyang SPA, such party shall be liable to pay RMB50 million to the other parties.

6.8 Guiyang Related Party Loans. Pursuant to the terms of the Guiyang SPA, the Guiyang Target will repay the interest-free loans currently extended by the Guiyang Related Parties, in an aggregate amount of RMB355,141,210.83 (as at the date of the Guiyang SPA) (the “**Guiyang Related Party Loans**”), in instalments as follows:

- (a) within six (6) months after the Guiyang Completion Date, the Guiyang Target will repay RMB155,141,210.83 of the Guiyang Related Party Loans to the relevant Guiyang Related Parties;
- (b) following the completion of the inspection of the Guiyang Expressway by the relevant PRC governmental authorities, the Guiyang Target will repay RMB120,000,000 of the Guiyang Related Party Loans to the relevant Guiyang Related Parties; and
- (c) subject to the completion of the inspection of the Guiyang Expressway by the relevant PRC governmental authorities, the Guiyang Target will repay the remaining RMB80,000,000 of the Guiyang Related Party Loans to the relevant Guiyang Related Parties following the lapse of two (2) years from the Guiyang Completion Date, after making any deductions for damages payable by the Guiyang Sellers in accordance with the terms of the Guiyang SPA.

The Company will undertake additional bank borrowings to inject additional working capital into the Guiyang Target to meet the Guiyang Target's short-term obligations, including the repayment of the Guiyang Related Party Loans, while the repayment of the Guiyang Target's bank loans will be funded by the expected cash flows from the operations of the Guiyang Target.

6.9 Guiyang Undisclosed Obligations. Pursuant to the terms of the Guiyang SPA, Guiyang SPV, the Guiyang Sellers and the Guiyang Target have agreed that, in relation to material contracts entered into by, as well as the payment obligations and debt obligations of, the Guiyang Target that have not been disclosed to Guiyang SPV pursuant to the Guiyang SPA (the “**Guiyang Undisclosed Obligations**”):

- (a) in respect of the Guiyang Undisclosed Obligations that remain unfulfilled by the Guiyang Target and can remain unfulfilled without any liability or obligation on the part of the Guiyang Target, the Guiyang Target will either (i) enter into a termination agreement with the relevant counterparties to terminate such Guiyang Undisclosed Obligations or (ii) enter into a supplemental agreement with the relevant counterparties and the Guiyang Sellers, pursuant to which the Guiyang Sellers will assume the payment obligations and liabilities of the Guiyang Target. The Guiyang Sellers will also reimburse the Guiyang Target for any amounts already paid by the Guiyang Target pursuant to such Guiyang Undisclosed Obligations;
- (b) in respect of the Guiyang Undisclosed Obligations that have already been fulfilled by the Guiyang Target and the Guiyang Target has residual payment obligations thereunder, the Guiyang Target will enter into a supplemental agreement with the relevant counterparties and the Guiyang Sellers, pursuant to which the Guiyang Sellers will assume the payment obligations and liabilities of the Guiyang Target; and

LETTER TO SHAREHOLDERS

- (c) in respect of the Guiyang Undisclosed Obligations that have already been fulfilled by the Guiyang Target and the Guiyang Target has no further payment obligations thereunder, the Guiyang Sellers will reimburse the Guiyang Target for any amounts paid by the Guiyang Target pursuant to such Guiyang Undisclosed Obligations.

In respect of any amounts payable by the Guiyang Sellers to the Guiyang Target pursuant to the arrangements under the Guiyang SPA in respect of the Guiyang Undisclosed Obligations (as described in this **paragraph 6.9**) and which remain unpaid, Guiyang SPV is entitled to deduct such amounts from the Guiyang Consideration or the Guiyang Related Party Loans.

7. FINANCIAL INFORMATION ON THE GUIYANG TARGET

7.1 Net Profit. Based on the audited financial statements of the Guiyang Target for FY2014, the net profit before tax, minority interests and exceptional items of the Guiyang Target for FY2014 is approximately HK\$109,446,479.

7.2 Market Value. CMHP has appointed THI Asia to conduct independent traffic and revenue forecast studies on the Guiyang Expressway and to prepare the Guiyang Traffic Consultant's Report, as well as Zhonghe to appraise the market value of the Guiyang Target Shares as at 31 December 2014.

The Guiyang Traffic Consultant's Report was prepared based on, *inter alia*, the following assumptions:

(a) Economic growth assumptions

The future economic growth trend in Guangxi, PRC, will be in line with national GDP growth factors. The adopted conservative and optimistic economic growth percentages are given in the table below:

Annual GDP Growth Assumptions

Year	Conservative (%)	Optimistic (%)
2015	9.8	10.8
2016-2020	8.8	9.7
2021-2025	8.4	9.2
2026-2030	7.9	8.7
2031-2035	7.5	8.3
2036-2040	7.2	7.9

(b) Network assumptions

There are a number of new expressways under construction or being planned in the vicinity of Guangxi, PRC. The new expressways which may affect the traffic flows of the Guiyang Expressway include:

- (i) Xinglong Expressway (expected to be operational at the end of 2016);
- (ii) Yanglu Expressway (expected to be operational in mid-2017);

LETTER TO SHAREHOLDERS

- (iii) Guisan Expressway (expected to be operational at the end of 2017);
 - (iv) Zixing Expressway (expected to be operational in 2017);
 - (v) National Highway G321 Guilin section (expected to be completed in 2017);
 - (vi) Liuwu Expressway (expected to be operational in 2018);
 - (vii) Liyu Expressway (expected to be operational in 2019);
 - (viii) Guanping Expressway (expected to be operational in 2020); and
 - (ix) the expansion of the expressway between Liuzhou and Nanning from four (4) lanes to eight (8) lanes (expected to be completed before 2018).
- (c) Toll rate increase assumptions

The toll rates are assumed to be increased by 15 per cent. for every seven (7) years starting from year 2022.

Pursuant to an estimation study of the future operation and maintenance costs for the Guiyang Expressway, THI Asia has also concluded that such operation and maintenance costs are reasonable based on the conditions of the Guiyang Expressway and the anticipated level of traffic, and that the management costs for the Guiyang Target are estimated on the basis of past and existing costs of the Guiyang Target. The detailed conclusions of THI Asia can be found in the Guiyang Traffic Consultant's Report, an executive summary of which is attached as **Appendix B** to this Circular.

According to Zhonghe's appraisals based on generally accepted valuation procedures and practices, the market value of the Guiyang Target Shares is approximately RMB932 million (approximately HK\$1,181 million) as at 31 December 2014. A copy of the Guiyang Target Valuation Report is attached as **Appendix E** to this Circular.

7.3 NAV, NTA and Working Capital. Based on the audited financial statements of the Guiyang Target for FY2014, the NAV of the Guiyang Target Shares as at 31 December 2014 is approximately RMB932,298,400 (approximately HK\$1,181,781,452), the NTA of the Guiyang Target Shares as at 31 December 2014 is approximately negative RMB1,780,733,129 (approximately negative HK\$2,257,257,314) and the working capital of the Guiyang Target is approximately negative RMB641,682,303 (approximately negative HK\$813,396,487).

8. INFORMATION ON YANGPING SPV, THE YANGPING TARGET AND THE YANGPING EXPRESSWAY

8.1 Yangping SPV. Yangping SPV was incorporated in Singapore on 12 June 2015 as a direct wholly-owned subsidiary of the Company with an issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share, for the purpose of holding the Company's interest in the Yangping Target on Completion of the Yangping Acquisition (the "**Yangping Completion**").

8.2 The Yangping Target. The Yangping Target is a company incorporated in the PRC which owns the rights to operate the Yangping Expressway. As at the Latest Practicable Date,

LETTER TO SHAREHOLDERS

Shenzhen Yitian and Ruiwo Yilai own 96 per cent. of the issued shares in the capital of the Yangping Target and four (4) per cent. of the issued shares in the capital of the Yangping Target respectively, collectively representing the Yangping Target Shares.

From the appraisal of Zhonghe based on generally accepted valuation procedures and practices, the market value of the Yangping Target Shares, which comprise 100 per cent. of the equity interest in the Yangping Target, is approximately RMB853 million (approximately HK\$1,081 million) as at 31 December 2014. In order to determine the market value of the Yangping Target Shares, Zhonghe has conducted an analysis based on (a) the income approach which calculates the present value of the discounted anticipated net cash flows of the Yangping Target and (b) the market approach which compares the Yangping Target to similar businesses or business ownership interests, and adopted the result based on the income approach.

A copy of the valuation report prepared by Zhonghe setting out the results of the appraisal of the market value of the Yangping Target Shares as at 31 December 2014 (the “**Yangping Target Valuation Report**”) is attached as **Appendix F** to this Circular.

8.3 The Yangping Expressway

Summary of Key Operating Data

Yangping Expressway	
Location	Guilin Municipality, Guangxi, PRC
No. of road sections	One (1)
Length (km)	39.52
Classification	Expressway
Access control	Restricted users (motorised goods and passengers only)
Direction/lanes	Two (2) directions, two (2) lanes each direction
Design speed (km/h)	120
Design capacity (vehicles per day)	62,000
Concession period (years)	29
Date of commencement	12 November 2008
Date of expiry	17 June 2037

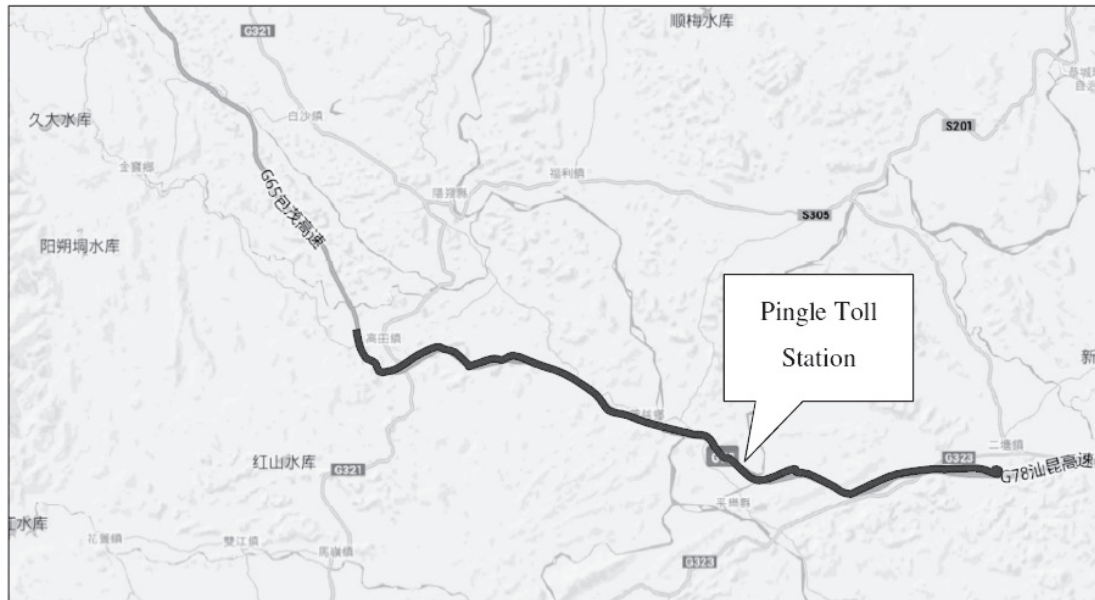
General Information

The Yangping Expressway is part of the G65 National Expressway System of China connecting Baotou Municipality of Inner Mongolia, PRC, and Maoming Municipality of Guangdong Province, PRC, serving the north-south traffic demand. It is a four (4)-lane carriageway (Dual-2) located at the eastern area of Guilin Municipality, PRC, connecting Yangshuo County, PRC, with Pingle County, PRC, in the north-east of Guangxi, PRC, with a total length of 39.52 km. The Yangping Expressway starts at Gaotian in Yangshuo County, connecting the expressway to Guilin Municipality, PRC, and passes by Mengcun, Puyi,

LETTER TO SHAREHOLDERS

Fuxing and Ertang in Pingle County, PRC. The Yangping Expressway is the key link serving both local and external traffic demand and an important inter-provincial boundary crossing serving the north-south traffic demand.

Location of the Yangping Expressway¹⁰



Competitive Strengths

Over the period from 2006 to 2013, the average growth in the GDP of Guangxi, PRC, was more than 17 per cent. per annum.¹¹ It is anticipated that economic growth will continue and will remain the major portion of the area's economic development. In addition, the road passenger traffic demand of Guangxi, PRC, increased at the rate of 8.4 per cent. per annum from 2006 to 2013, while the road freight traffic demand increased at the rate of 18.4 per cent. per annum from 2006 to 2013.¹²

Toll Collection

The toll collection system for the Yangping Expressway is in the form of a closed system with computerised toll validation. Toll is charged according to the type of vehicle and distance travelled. Upon entering the Yangping Expressway, each vehicle is issued an encoded ticket (either magnetic or integrated circuit card) that records the vehicle type and the name of the entry station. When the vehicle exits the expressway, the ticket is surrendered and the toll amount is then calculated based on the distance between the entry toll station and the exit toll station, and the vehicle type. As at the Latest Practicable Date, there is one (1) toll station along the Yangping Expressway, being the Pingle Toll Station.

¹⁰ Source: Page 2 of the Yangping Traffic Consultant's Report (Traffic and Revenue Forecast Study).

¹¹ Source: Page 9 of the Yangping Traffic Consultant's Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

¹² Source: Page 17 of the Yangping Traffic Consultant's Report (Traffic and Revenue Forecast Study) – Statistic Year Books of Guangxi Province.

LETTER TO SHAREHOLDERS

Toll Rates and Income¹³

The existing toll rates are as follows (these toll rates apply to all toll stations along the Yangping Expressway):

Yangping Expressway Toll Rates

Toll Rate Category	Vehicle Class	Toll Rate
By vehicle class RMB/km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By weight	Goods vehicle	0.08/Ton-km
Non-toll	Official toll exemption	

Bridge (B) and Tunnel (T) Toll Rates

Vehicle Class	Toll Rate	Before 1 August 2016			On and After 1 August 2016		
		Class 1 B/T ⁽¹⁾	Class 2 B/T ⁽²⁾	Class 3 B/T ⁽³⁾	Class 1 B/T ⁽¹⁾	Class 2 B/T ⁽²⁾	Class 3 B/T ⁽³⁾
Class 1	RMB/exit	1.20	2.20	3.20	1.50	2.50	3.50
Class 2		2.40	4.40	6.40	3.00	5.00	7.00
Class 3		3.00	5.50	8.00	3.75	6.25	8.75
Class 4		3.60	6.60	9.60	4.50	7.50	10.50
Class 5		3.60	6.60	9.60	4.50	7.50	10.50
Goods vehicle	RMB/Ton-km	0.10			0.15		

Notes:

- (1) Class 1 B/T includes Puyi Lijiang Bridge, Yanbei Tunnel, Daoqilong Tunnel, Baizhutang Tunnel and Pingle Tongle Bridge.
- (2) Not applicable to the Yangping Expressway.
- (3) Not applicable to the Yangping Expressway.

There is no minimum toll income revenue guaranteed by the relevant PRC governmental authorities.

Concession Period

The Yangping Target's toll operating rights for the Yangping Expressway were formally granted by the relevant governmental authorities in Guangxi, PRC, for a period of 29 years, from 12 November 2008 to 17 June 2037.

¹³ Source: Page 29 of the Yangping Traffic Consultant's Report (Traffic and Revenue Forecast Study).

LETTER TO SHAREHOLDERS

9. PRINCIPAL TERMS OF THE YANGPING ACQUISITION

9.1 Yangping SPA. Pursuant to the terms of the Yangping SPA, the Yangping Sellers shall sell, and Yangping SPV shall purchase, the Yangping Target Shares on the date falling one (1) day after the satisfaction or waiver of all the Yangping Conditions (as defined in **paragraph 9.5** below) in accordance with the terms of the Yangping SPA (or such other date as may be agreed in writing between Yangping SPV, the Yangping Sellers and the Yangping Target) (the “**Yangping Completion Date**”), free from any Encumbrances.

9.2 Alternative Acquiror. Pursuant to the terms of the Yangping SPA, if Yangping SPV is prohibited from acquiring the Yangping Target Shares due to any applicable PRC governmental or regulatory requirements, CMHP shall be entitled to nominate an alternative acquiror for the Yangping Target Shares, who will assume all the rights and obligations of Yangping SPV under the Yangping SPA.

9.3 Consideration. The consideration of RMB848,000,000 (approximately HK\$1,070,600,000 based on an exchange rate of RMB1.00 : HK\$1.2625) for the Yangping Acquisition (the “**Yangping Consideration**”) was arrived at on a willing seller willing buyer basis after taking into account (a) the market value of the Yangping Target Shares of approximately RMB853 million (approximately HK\$1,081 million) as at 31 December 2014, which was independently appraised by Zhonghe, (b) the results of the independent traffic and revenue forecast studies on the Yangping Expressway prepared by THI Asia (the “**Yangping Traffic Consultant’s Report**”) and (c) the rationale for the Acquisitions. Pursuant to the terms of the Yangping SPA, there will not be any adjustments to the Yangping Consideration to take into account any profit or loss arising from the ordinary course of business of the Yangping Target from 31 December 2014 to the Yangping Completion Date.

The Yangping Consideration shall be paid in cash by Yangping SPV to the Yangping Sellers (in proportion to their respective shareholding interests in the Yangping Target) within 60 business days from the Yangping Completion Date, and will be funded by CMHP using the net proceeds of the Preferential Offering in conjunction with external bank borrowings.

9.4 Pre-Conditions. Pursuant to the terms of the Yangping SPA, the Yangping SPA shall only become effective upon the satisfaction of the following pre-conditions (the “**Yangping Pre-Conditions**”):

- (a) the approval of MOFCOM for the Yangping Acquisition, the Yangping SPA and the new articles of association of the Yangping Target;
- (b) the approval of the Shareholders for the Yangping Acquisition at the EGM; and
- (c) the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Yangping Acquisition.

As at the Latest Practicable Date, the approval of the SGX-ST for this Circular to be issued by CMHP to the Shareholders in relation to the Yangping Acquisition has been obtained. Accordingly, as at the Latest Practicable Date, the Yangping Pre-Condition set out in **paragraph 9.4(c)** above has been satisfied.

LETTER TO SHAREHOLDERS

9.5 Conditions Precedent. Pursuant to the terms of the Yangping SPA, the Yangping Completion is subject to and conditional upon the satisfaction or waiver (as the case may be) of, *inter alia*, the conditions precedent (the “**Yangping Conditions**”) set out below.

The satisfaction of the following Yangping Conditions is subject to confirmation by Yangping SPV and the Yangping Sellers before the Yangping Completion Date:

- (a) the relevant PRC governmental approvals for the Yangping Acquisition (the “**Yangping Governmental Approvals**”) being obtained and disclosed in accordance with the applicable PRC governmental or regulatory requirements, including the approval from the competent enterprise registration authority in the PRC for the registration or filing of the change of shareholders of the Yangping Target, the new articles of association of the Yangping Target and the change of the legal representative of the Yangping Target (the “**Yangping AIC Registration Approval Notice**”);
- (b) there are no applicable PRC governmental or regulatory requirements or orders which prohibit the Yangping Completion; and
- (c) all authorisations, consents and approvals necessary for the performance of the Yangping SPA and the Yangping Completion being obtained by each party and remaining in full force and effect as at the Yangping Completion Date, and there being no applicable PRC governmental or regulatory requirements or orders which prohibit, restrict or materially delay the Yangping Completion or result in any material adverse effect on the Yangping Target after the Yangping Completion.

The satisfaction or waiver of the following Yangping Conditions is subject to confirmation by Yangping SPV before the Yangping Completion Date:

- (i) the representations and warranties made by the Yangping Sellers under the Yangping SPA being true and accurate as if they were made on the Yangping Completion Date (save for such representations and warranties which are made with reference to a specific date);
- (ii) all covenants to be performed by the Yangping Sellers on or before the Yangping Completion Date having been duly performed in all respects;
- (iii) the approval of the shareholders of the Yangping Target being obtained in respect of the new articles of association of the Yangping Target, the Yangping Acquisition and change of the legal representative of the Yangping Target;
- (iv) the Yangping AIC Registration Approval Notice being obtained;
- (v) there being no material adverse effect to the Yangping Completion from the date of the Yangping SPA to the Yangping Completion Date;
- (vi) the discharge of the security interest over the Yangping Target Shares and/or the toll operating rights for the Yangping Expressway created by the Yangping Sellers or the completion of the registration of change of such security interest, and the discharge of all other security interests that have not been disclosed;

LETTER TO SHAREHOLDERS

- (vii) written consents being obtained by the Yangping Target from Bank of China Limited (Shenzhen Branch) and Bank of China Limited (Guilin Branch) for the Yangping Acquisition and for the early repayment of certain loans and their waiver of any liability for breaches that may arise as a result of such early repayment;
- (viii) the repayment by the Yangping Sellers and other related entities of the Yangping Sellers (collectively, the **“Yangping Related Parties”**) of borrowings of RMB222,890,000 from the Yangping Target (the **“Yangping Loan to Shareholders”**), such that there will be no outstanding borrowings by the Yangping Related Parties from the Yangping Target as at the Yangping Completion Date;
- (ix) the completion of the completion audit and due diligence exercise conducted by Yangping SPV on the Yangping Target, the results of which are reasonably satisfactory to Yangping SPV; and
- (x) the provision of a certificate to Yangping SPV from each of the duly authorised persons of the Yangping Sellers and the Yangping Target confirming the satisfaction of the Yangping Conditions set out in **paragraphs 9.5(i) to 9.5(ix)** above, together with the relevant supporting documents.

The satisfaction or waiver of the following Yangping Conditions is subject to confirmation by the Yangping Sellers before the Yangping Completion Date:

- (A) the representations and warranties made by Yangping SPV under the Yangping SPA being true and accurate in all material respects as if they were made on the Yangping Completion Date;
- (B) all covenants to be performed by Yangping SPV on or before the Yangping Completion Date having been duly performed in all material respects; and
- (C) the provision of a certificate to the Yangping Sellers from the duly authorised persons of Yangping SPV confirming the satisfaction of the Yangping Conditions set out in **paragraphs 9.5(A) and 9.5(B)** above.

As at the Latest Practicable Date, the approval of the shareholders of the Yangping Target has been obtained in respect of the new articles of association of the Yangping Target, the Yangping Acquisition and change of the legal representative of the Yangping Target, and Yangping SPV has confirmed the receipt of such approval. Accordingly, as at the Latest Practicable Date, the Yangping Condition set out in **paragraph 9.5(iii)** above has been satisfied.

- 9.6 Long-Stop Date.** Pursuant to the terms of the Yangping SPA, in the event that the Yangping Governmental Approvals are not obtained within 365 days after the execution of the Yangping SPA (or such other later date as may be agreed in writing between Yangping SPV and the Yangping Sellers), either Yangping SPV or the Yangping Sellers will be entitled to terminate the Yangping SPA without any liability by providing the other party with a written notice of termination (unless the party seeking to terminate is in material breach of its obligations under the Yangping SPA).

LETTER TO SHAREHOLDERS

9.7 Break Fee. Pursuant to the terms of the Yangping SPA, in the event the Yangping Pre-Conditions and/or the Yangping Conditions cannot be satisfied and such non-satisfaction is attributable to a party to the Yangping SPA, such party shall be liable to pay RMB50 million to the other parties.

9.8 Yangping Related Party Loans. Pursuant to the terms of the Yangping SPA, the Yangping Target will repay the interest-free loans currently extended by the Yangping Related Parties, in an aggregate amount of RMB199,942,381.82 (as at 31 December 2014) (the “**Yangping Related Party Loans**” and, together with the Guixing Related Party Loans and the Guiyang Related Party Loans, the “**Related Party Loans**”), in instalments as follows:

- (a) on the Yangping Completion Date, the Yangping Target will repay RMB149,942,381.82 of the Yangping Related Party Loans to the relevant Yangping Related Parties, after setting-off any outstanding amounts under the Yangping Loan to Shareholders; and
- (b) following the completion of the inspection of the Yangping Expressway by the relevant PRC governmental authorities, the Yangping Target will repay RMB50,000,000 of the Yangping Related Party Loans to the relevant Yangping Related Parties.

The repayment of the Yangping Related Party Loans will be funded by the repayment of the Yangping Loan to Shareholders by the Yangping Related Parties. The Company will undertake additional bank borrowings to inject additional working capital into the Yangping Target to meet the Yangping Target’s short-term obligations, including the repayment of the Yangping Target’s short-term bank loans and the current portion of the Yangping Target’s long-term bank loans (i.e. amounts due for settlement within 12 months), while the repayment of the non-current portion of the Yangping Target’s long-term bank loans will be funded by the expected cash flows from the operations of the Yangping Target.

10. FINANCIAL INFORMATION ON THE YANGPING TARGET

10.1 Net Loss. Based on the audited financial statements of the Yangping Target for FY2014, the net loss before tax, minority interests and exceptional items of the Yangping Target for FY2014 is approximately HK\$40,145,591.

10.2 Market Value. CMHP has appointed THI Asia to conduct independent traffic and revenue forecast studies on the Yangping Expressway and to prepare the Yangping Traffic Consultant’s Report, as well as Zhonghe to appraise the market value of the Yangping Target Shares as at 31 December 2014.

The Yangping Traffic Consultant’s Report was prepared based on, *inter alia*, the following assumptions:

(a) Economic growth assumptions

The future economic growth trend in Guangxi, PRC, will be in line with national GDP growth factors. The adopted conservative economic growth percentages are given in the table below:

LETTER TO SHAREHOLDERS

Annual GDP Growth Assumptions

Year	Conservative (%)	Optimistic (%)
2015	9.8	10.8
2016-2020	8.8	9.7
2021-2025	8.4	9.2
2026-2030	7.9	8.7
2031-2035	7.5	8.3
2036-2040	7.2	7.9

(b) Network assumptions

There are a number of new expressways under construction or being planned in the vicinity of Guangxi, PRC. The new expressways which may affect the traffic flows of the Yangping Expressway include:

- (i) Xinglong Expressway (expected to be operational at the end of 2016);
- (ii) Yanglu Expressway (expected to be operational in mid-2017);
- (iii) Guisan Expressway (expected to be operational at the end of 2017);
- (iv) Zixing Expressway (expected to be operational in 2017);
- (v) National Highway G321 Guilin section (expected to be completed in 2017);
- (vi) Liuwu Expressway (expected to be operational in 2018);
- (vii) Liyu Expressway (expected to be operational in 2019); and
- (viii) Guanping Expressway (expected to be operational in 2020).

(c) Toll rate increase assumptions

The toll rates are assumed to be increased by 15 per cent. for every seven (7) years starting from 2022.

Pursuant to an estimation study of the future operation and maintenance costs for the Yangping Expressway, THI Asia has also concluded that such operation and maintenance costs are reasonable based on the conditions of the Yangping Expressway and the anticipated level of traffic, and that the management costs for the Yangping Target are estimated on the basis of past and existing costs of the Yangping Target. The detailed conclusions of THI Asia can be found in the Yangping Traffic Consultant's Report, an executive summary of which is attached as **Appendix C** to this Circular.

According to Zhonghe's appraisals based on generally accepted valuation procedures and practices, the market value of the Yangping Target Shares is approximately RMB853 million (approximately HK\$1,081 million) as at 31 December 2014. A copy of the Yangping Target Valuation Report is attached as **Appendix F** to this Circular.

LETTER TO SHAREHOLDERS

10.3 NAV, NTA and Working Capital. Based on the audited financial statements of the Yangping Target for FY2014, the NAV of the Yangping Target Shares as at 31 December 2014 is approximately RMB565,523,337 (approximately HK\$716,857,382), the NTA of the Yangping Target Shares as at 31 December 2014 is approximately negative RMB896,922,851 (approximately negative HK\$1,136,939,406) and the working capital of the Yangping Target is approximately negative RMB122,242,274 (approximately negative HK\$154,954,306).

11. UPDATED PRO FORMA FINANCIAL EFFECTS

11.1 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, NAV per Share, NTA per Share, earnings per Share (“EPS”), gearing and working capital of the CMHP Group are set out below.

(a) **Bases and Assumptions.** The updated pro forma financial effects of 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 by the Company to entitled Shareholders on 2 June 2015 (the “**Bonus Issue**”) and the audited financial statements of each 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 updated 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 each of the Targets and account for each of the Targets as a wholly-owned subsidiary;
- (v) the Guixing Consideration, the Guiyang Consideration, the Yangping Consideration, the repayment of the Guixing Related Party Loans as well as the Guiyang Related Party Loans, the Guixing Supplemental Construction Contract Amount and the additional working capital to be injected into each of the Targets following the 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 (3) per cent..

The terms set out in this paragraph 11.1(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 Latest Practicable Date;

- (vi) that the transaction costs associated with the Acquisitions and the Preferential Offering are assumed to be insignificant;

LETTER TO SHAREHOLDERS

- (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 Guixing Target Valuation Report, the Guiyang Target Valuation Report and the Yangping Target Valuation Report. 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, each of the Targets is able to meet in full its financial obligations as they fall due in the foreseeable future and each of the Targets is able to continue as a going concern; 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⁾	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

Note:

- (1) In this Circular, the term “**Convertible Bonds**” refers to the aggregate principal amount of HK\$1,163,000,000 1.25 per cent. convertible bonds due 2017 (credit enhanced until 2015) issued by the Company on 6 November 2012.

(c) **NAV**

For illustrative purposes only and assuming the Acquisitions had been completed on 31 December 2014, the updated 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

LETTER TO SHAREHOLDERS

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 updated 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 (Jiujiang-Ruichang Section) (江西省九江至瑞昌高速公路) (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

LETTER TO SHAREHOLDERS

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 updated 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 dilutive 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.

LETTER TO SHAREHOLDERS

(f) **Gearing**

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

Debts (interest bearing liabilities)⁽¹⁾

Before the Acquisitions:

– Before any conversion of the Convertible Bonds (HK\$'000)	4,247,038
– Assuming full conversion of the Convertible Bonds (HK\$'000)	3,474,074

After the Acquisitions:

– Before any conversion of the Convertible Bonds (HK\$'000)	11,681,661
– Assuming full conversion of the Convertible Bonds (HK\$'000)	10,908,697

Shareholders' equity⁽²⁾

Before the Acquisitions as previously reported:

– Before any conversion of the Convertible Bonds (HK\$'000)	8,929,794
– Assuming full conversion of the Convertible Bonds (HK\$'000)	9,702,758

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

After the Acquisitions:

– Before any conversion of the Convertible Bonds (HK\$'000)	12,871,521
– Assuming full conversion of the Convertible Bonds (HK\$'000)	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.

LETTER TO SHAREHOLDERS

(g) **Working Capital**

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the updated 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)

11.2 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 updated pro forma financial effects of 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 each 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**

LETTER TO SHAREHOLDERS

future actual financial position of the CMHP Group following the Acquisitions.

The updated 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 each of the Targets and account for each of the Targets as a wholly-owned subsidiary;
- (v) the Guixing Consideration, the Guiyang Consideration, the Yangping Consideration, the repayment of the Guixing Related Party Loans as well as the Guiyang Related Party Loans, the Guixing Supplemental Construction Contract Amount and the additional working capital to be injected into each of the Targets following the Acquisitions will be satisfied wholly in cash, to be funded by the Preferential Offering;
- (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 Guixing Target Valuation Report, the Guiyang Target Valuation Report and the Yangping Target Valuation Report. 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, each of the Targets is able to meet in full its financial obligations as they fall due in the foreseeable future and each of the Targets is able to continue as a going concern; 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.

LETTER TO SHAREHOLDERS

(b) Share Capital

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

LETTER TO SHAREHOLDERS

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
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 updated 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	–	–
Negative goodwill arising from the Guiyang Acquisition (HK\$'000)	–	2,535	–

LETTER TO SHAREHOLDERS

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
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 updated pro forma financial effects on the consolidated earnings of the CMHP Group for FY2014 are as follows:

	Before the Acquisitions	Guixing Acquisition	After the Acquisitions 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

LETTER TO SHAREHOLDERS

	Before the Acquisitions	Guixing Acquisition	After the Acquisitions 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 dilutive 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 updated pro forma financial effects on the gearing of the CMHP Group for FY2014 are as follows:

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

LETTER TO SHAREHOLDERS

	Guixing Acquisition	Guiyang Acquisition	Yangping Acquisition
Shareholders' equity⁽²⁾			
Before the Acquisitions as previously reported:			
– Before any conversion of the Convertible Bonds (HK\$'000)	8,929,794	8,929,794	8,929,794
– Assuming full conversion of the Convertible Bonds (HK\$'000)	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 (HK\$'000)	12,862,648	12,656,027	12,659,830
– Assuming full conversion of the Convertible Bonds (HK\$'000)	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.

LETTER TO SHAREHOLDERS

(g) Working Capital

For illustrative purposes only and assuming that the Acquisitions had been completed on 31 December 2014, the updated 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
<u>Current assets</u>			
Before the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	1,249,909	1,249,909	1,249,909
– Assuming full conversion of the Convertible Bonds (HK\$'000)	1,249,909	1,249,909	1,249,909
After the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	2,668,282	3,410,165	4,078,549
– Assuming full conversion of the Convertible Bonds (HK\$'000)	2,668,282	3,410,165	4,078,549
<u>Current liabilities</u>			
Before the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	(1,695,413)	(1,695,413)	(1,695,413)
– Assuming full conversion of the Convertible Bonds (HK\$'000)	(1,695,413)	(1,695,413)	(1,695,413)
After the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	(2,094,902)	(2,124,236)	(2,030,233)
– Assuming full conversion of the Convertible Bonds (HK\$'000)	(2,094,902)	(2,124,236)	(2,030,233)
<u>Working capital</u>			
Before the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	(445,504)	(445,504)	(445,504)
– Assuming full conversion of the Convertible Bonds (HK\$'000)	(445,504)	(445,504)	(445,504)
After the Acquisitions:			
– Before any conversion of the Convertible Bonds (HK\$'000)	573,380	1,285,929	2,048,316
– Assuming full conversion of the Convertible Bonds (HK\$'000)	573,380	1,285,929	2,048,316

LETTER TO SHAREHOLDERS

12. RATIONALE FOR THE ACQUISITIONS

CMHP has consistently adopted a growth strategy of expanding its business and earnings base through both organic expansion and selective acquisitions of, in particular, expressways located in the PRC. The Directors believe that CMHP has the financial capacity and flexibility to pursue investment opportunities such as the Acquisitions, with a view to bringing long-term strategic benefits to the CMHP Group, including, but not limited to, the following:

(a) Growth Strategy

The Acquisitions are in line with CMHP's growth strategy of expanding its business and earnings base through both organic expansion and acquisitions of quality toll road assets in key strategic regions to develop its toll road business to a sizable scale and generate long-term profit.

(b) Expand Scale of Operations

The Acquisitions will allow CMHP to gain full ownership of three high-quality toll roads and elevate its scale of operations. Pursuant to the Acquisitions, CMHP's toll road portfolio will comprise eight (8) expressways and the total length of the expressways operated by CMHP will be expanded from the current length of 415 km to approximately 575 km. The Guixing Expressway, which has a remaining concession period of approximately 26.6 years, the Guiyang Expressway, which has a remaining concession period of approximately 21.9 years and the Yangping Expressway, which has a remaining concession period of approximately 21.8 years, will increase the average remaining concession period of CMHP's toll road portfolio by approximately 25 per cent., from approximately 13.2 years to approximately 16.6 years.

(c) Expand Geographical Coverage and Extend Presence in Guangxi and the PRC

The Acquisitions will further enlarge CMHP's toll road portfolio, expand its geographical coverage into the fast developing Guangxi, PRC, and strengthen its position as a leading toll road operator in the transportation infrastructure sector in both Guangxi, PRC, and the PRC.

(d) Promising Growth Potential in Traffic Flow

The Guangxi Expressways are sited on the main routes of Guangxi, PRC, connecting destinations that provide traffic growth opportunities. Further details on the key strategic locations of each of the Guangxi Expressways are set out below:

- (i) the Guixing Expressway connects Guilin Municipality, PRC (a popular tourist destination famous for its scenic landscapes), with Xing'an County, PRC, and links up to the expressway network that extends to Quanzhou Municipality, PRC, and Nanning Municipality, PRC (the provincial capital of Guangxi);
- (ii) the Guiyang Expressway connects Guilin Municipality, PRC, with Yangshuo Municipality, PRC (a popular tourist destination famous for its scenery), and links up to the expressway network that extends to Baotou Municipality, PRC (the provincial capital of Inner Mongolia), and Maoming Municipality, PRC, in Guangdong Province, PRC; and

LETTER TO SHAREHOLDERS

- (iii) the Yangping Expressway connects Yangshuo Municipality, PRC, with Pingle County, PRC, and links up to the expressway network that extends to Baotou Municipality, PRC (the provincial capital of Inner Mongolia), and Maoming Municipality, PRC.

The Guangxi Expressways, together with the Guiliu Expressway in which the CMHP Group has an existing 40 per cent. equity interest, form a mutually open and linked corridor with a total length of 298 km, thus achieving a synergistic effect from an expanded and linked network.

13. RISK FACTORS

Shareholders should recognize that there are various risks in connection with the Acquisitions, including, *inter alia*, the following:

A decline in traffic volume may adversely affect the revenue and earnings of the Targets

Revenues from each of the Guangxi Expressways are dependent principally upon the number of motor vehicles using the toll road and the applicable toll regime. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. There is no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, or that the national or provincial governments will not design and construct any toll roads or expressways which might compete with any of the Guangxi Expressways in the future, as well as other means of transportation including railways and alternative routes between the cities served by any of the Guangxi Expressways in the future, which may adversely affect the revenue and earnings of each of the Targets. The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network in the province where the Guangxi Expressways are located (being Guangxi, PRC) will not adversely affect the traffic volume on any of the Guangxi Expressways.

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC, Guangxi, PRC, and the principal cities and counties within Guangxi, PRC. Any adverse changes in this regard may adversely affect the traffic volume on any of the Guangxi Expressways.

THI Asia has been engaged as the independent traffic consultant to conduct independent traffic and revenue forecast studies on the Guangxi Expressways. An executive summary of each of the Guixing Traffic Consultant's Report, the Guiyang Traffic Consultant's Report and the Yangping Traffic Consultant's Report is set out in **Appendix A**, **Appendix B** and **Appendix C** to this Circular respectively. The traffic and revenue projections of each of the Guangxi Expressways by THI Asia were prepared using such analytical methods and models as were considered appropriate by THI Asia. The projections were based on, among other things, certain assumptions regarding sociological, demographical and economic trends in Guangxi, PRC. There can be no assurance that assumptions used in developing such projections, which include any toll rate adjustments and the absence of any change in the existing transportation infrastructure development plans or in the travel behaviours, will

LETTER TO SHAREHOLDERS

prove to be accurate. There can be no assurance that the actual traffic volume will be in line with the projected traffic volume. Any significant shortfall in the actual traffic volume may have a material adverse effect on the revenue and earnings of each of the Targets.

Capital expenditure on completed projects may be unpredictable, and the operation of the Guangxi Expressways may be affected by events outside the control of the Targets

As operators of toll roads, the Targets are responsible at their own cost for the maintenance and repair of their toll roads throughout the respective operating concession periods. The continuing repair and maintenance of any highway or bridge involves significant and potentially unpredictable expenditure. There can be no assurance that the operations and financial position of any of the Targets may not be adversely affected at some time by significant unforeseen capital expenditure requirements.

The condition and operation of each of the Guangxi Expressways may be affected by catastrophic events such as serious adverse weather, natural disasters, epidemics and major road accidents. If the condition or operation of any of the Guangxi Expressways is seriously affected as a result of any such events, the revenue, earnings and financial position of the Enlarged CMHP Group may be adversely affected.

The toll regime significantly impacts the revenues of the Targets and is regulated by governmental authorities

The toll rates of each of the Guangxi Expressways are subject to the regulation of the relevant governmental authorities and there is no assurance that any future applications for increases of toll rates of any of the Guangxi Expressways will be approved by the relevant governmental authorities or that the relevant governmental authorities will not demand a toll reduction.

The depreciation costs relating to the Guangxi Expressways and, hence, the results of the Enlarged CMHP Group are subject to the actual traffic volume and forecast traffic volume

In accordance with the INT FRS 112 Service Concession Agreements, the toll concession rights of each of the Guangxi Expressways will be treated as an intangible asset for the purpose of accounting in the books of the Enlarged CMHP Group, and will be stated at cost less accumulated amortisation and impairment losses. Amortisation of the toll concession rights will be based on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the lease term for the toll concession rights. The current projected total traffic volumes of the Guangxi Expressways, which are estimated based on certain assumptions concerning the future, may differ from future traffic volume forecasts as a result of periodic updates to the traffic forecasts. Should the actual traffic volumes of any of the Guangxi Expressways deviate significantly from the original projected traffic volumes, the amortisation of the toll concession rights may be significantly affected and hence the results of the Enlarged CMHP Group would be affected by any such changes to the traffic volume forecast currently adopted.

LETTER TO SHAREHOLDERS

14. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Directors, might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

15. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

15.1 Save as disclosed in this Circular, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisitions.

15.2 Directors. The interests of the Directors in the Shares and share options granted under the China Merchants Holdings (Pacific) Limited Share Option Scheme 2002 as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

Director	Direct Interest		Deemed Interest		Number of Shares comprised in outstanding options accepted by Directors as at the Latest Practicable Date
	No. of Shares	%	No. of Shares	%	
Mr Luo Hui Lai	–	–	–	–	–
Mr Zheng Hai Jun	–	–	–	–	–
Mr Jiang Yan Fei	1,617,000	0.136	–	–	–
Mr Wang Xiufeng	–	–	–	–	–
Dr Lim Heng Kow	–	–	–	–	–
Dr Hong Hai	–	–	–	–	–

15.3 Controlling Shareholders. The interests of the controlling shareholders of the Company in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Controlling Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Easton Overseas Limited	764,814,750	64.15	–	–
Cornerstone Holdings Limited	–	–	764,814,750 ⁽¹⁾	64.15
China Merchants Huajian Highway Investment Co., Ltd	–	–	764,814,750 ⁽¹⁾	64.15
China Merchants Group Limited	–	–	764,814,750 ⁽¹⁾	64.15

Note:

- (1) Cornerstone Holdings Limited, China Merchants Huajian Highway Investment Co., Ltd and China Merchants Group Limited are deemed to be interested in all the Shares held by Easton Overseas Limited.

LETTER TO SHAREHOLDERS

16. DIRECTORS' RECOMMENDATION

The Directors, having considered, *inter alia*, the terms, the financial effects and the rationale of the Acquisitions and after discussion with the management of the Company, are of the opinion that each Acquisition is in the interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Shareholders vote in favour of the Ordinary Resolutions relating to the Acquisitions (set out in the notice of EGM on pages 131 to 133 of this Circular) to be proposed at the EGM to be held on 14 September 2015.

17. EXTRAORDINARY GENERAL MEETING

The EGM, notice (the “**Notice**”) of which is set out on pages 131 to 133 of this Circular, will be held at Conrad Centennial Singapore, North Ballroom, Level 2, Two Temasek Boulevard, Singapore 038982 on 14 September 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolutions set out in the Notice.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited (“**CDP**”) as at 48 hours before the EGM.

18. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this Circular, the Notice and a Proxy Form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 10.00 a.m. on 12 September 2015. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.

19. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisitions and the CMHP Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS

20. CONSENTS

20.1 THI Asia. THI Asia has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of and references to its name and the executive summaries of each of its reports dated 9 June 2015 and attached to this Circular as **Appendix A**, **Appendix B** and **Appendix C** in the form and context in which they appear in this Circular.

20.2 Zhonghe. Zhonghe has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of and references to its name and each of its reports dated 20 May 2015 and attached to this Circular as **Appendix D**, **Appendix E** and **Appendix F** in the form and context in which they appear in this Circular.

21. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for FY2012, FY2013 and FY2014 and the unaudited consolidated financial statements of the CMHP Group for the second quarter ended 30 June 2015;
- (c) the Guixing SPA;
- (d) the Guiyang SPA;
- (e) the Yangping SPA;
- (f) the Guixing Traffic Consultant's Report;
- (g) the Guiyang Traffic Consultant's Report;
- (h) the Yangping Traffic Consultant's Report;
- (i) the Guixing Target Valuation Report;
- (j) the Guiyang Target Valuation Report; and
- (k) the Yangping Target Valuation Report.

Yours faithfully
For and on behalf of
the Board of Directors of
CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

Mr Luo Hui Lai
Chairman

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

THI Asia
鼎漢亞洲

THI Asia
Consultants
Limited
303, 3/F Sam Cheong Building
216-220 Des Voeux Road Central, Hong Kong
Tel : (852) 24123938
Fax : (852) 2899 2176

9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Traffic and Revenue Forecast Study for Guixing Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the "Company"), THI Asia Consultants Limited (the "Consultant" or "THI") has conducted an independent traffic and revenue study (the "Study") of Guixing Expressway (hereafter referred as the "Expressway"). The Expressway is a four-lane carriageway (Dual-2) located at the east-northern area of Guilin Municipality (桂林市) connecting Guilin urban area with Xingan County (兴安县) in the east-northern of Guangxi Province (广西省). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue for the remainder of the concession period (2015 to 2043) for the Expressway are projected in an independent and professional manner.

The results of our analysis are presented in the report of "Guixing Expressway Traffic and Revenue Forecast Study Report". A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This report summarizes the results and findings based on the technical analyses conducted. In conducting the Study, we have based our analyses on site investigation, interviews with local authorities/toll road operator, and reviews of available traffic data, feasibility reports, Origin-Destination ("O-D") surveys and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The Expressway with a total length of 53.4 Km is part of the G72 China's National Expressway System connecting Quanzhou Municipality (泉州) of Fujing Province (福建省) and Nanning Municipality (南宁) of Guangxi Province (广西省) serving the north-south traffic demand. This Expressway is the key link serving both local and external traffic demand.

E2. OBJECTIVES AND SCOPE OF SERVICES

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study expressway ;
- Collect and review socio-economic data of the study region;

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the traffic corridors under study; and
- Prepare traffic and revenue forecasts.

E3. TRAFFIC FORECASTING METHODOLOGY

The traffic forecasts are based on conventional travel demand forecast methodologies widely adopted for toll road studies and have been applied to similar toll roads in the People's Republic of China ("PRC"). Relevant information collected and accumulated by THI in other projects in Guangxi Province as well as Guangdong Province areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

- a) Data Inventory and Review - The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.
- b) Define Technical Approach - The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.
- c) Travel Demand Forecasting - Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:
 - Economic indicators and growth in travel demand;
 - Physical conditions of the road and its carrying capacity;
 - Vehicle classifications and percentage distribution; and
 - O-D patterns by class of vehicle.

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the Conservative Scenario and the Optimistic Scenario.

E4. PRINCIPAL MODEL / ANALYTICAL ASSUMPTIONS

The general assumptions defined in the Study are as follows:

- a) The use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the region, GDP growth will be used as the key parameter for future forecasts.

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

- b) O-D patterns identified from the available database are applicable to the subject analysis;
- c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;
- d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;
- e) Future economic growth trends in the study region should be consistent with existing regional economic policies, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below;

Annual GDP Growth (%) Assumptions (Conservative)

Year	Guangxi Province	Guilin	Liuzhou
2015	9.8%	9.0%	10.4%
2016-2020	8.8%	8.1%	9.4%
2021-2025	8.4%	7.7%	8.9%
2026-2030	7.9%	7.3%	8.4%
2031-2035	7.5%	6.9%	8.0%
2036-2040	7.2%	6.6%	7.6%
2041-2045	6.8%	6.3%	7.2%

- f) Technical parameters associated with the determination of facility capacity are within the practical range;
- g) Technical data obtained and used for the analysis is accurate and reliable, and therefore is a good representation of the typical average condition;
- h) Based on the Highway Capacity Manual and professional judgment, the estimated facility-based sectional capacity for the highways under study is 62,000 vehicles per day. This Sectional Capacities are defined as the maximum number of vehicles that can be accommodated by Expressway road section of facilities per day;
- i) Major new highway links are planned or under construction in the vicinity of the study corridors. The major new links and the expected opening year in the study area are:
 - Year 2016 - Xinglong Expressway (兴龙高速公路)
 - Year 2017 - Yanglu Expressway (阳鹿高速公路)
 - Year 2017 - Guisan Expressway (桂三高速公路)
 - Year 2017 - Xixing Expressway (资兴高速公路)
 - Year 2017 - National Highway G321 expansion (国道 G321)
 - Year 2018 - Liuwu Expressway (柳梧高速公路)
 - Year 2019 - Liyu Expressway (荔玉高速公路)
 - Year 2020 - Guanping Expressway (灌平高速公路)
- j) Future year traffic demand of Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

by area. The resultant growths for Conservative and Optimistic Scenarios are given in table below.

Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2015	4.77%	10.48%	5.25%	11.53%
2016-2020	4.30%	9.43%	4.73%	10.37%
2021-2025	4.08%	8.96%	4.49%	9.85%
2026-2030	3.88%	8.51%	4.27%	9.36%
2031-2035	3.68%	8.09%	4.05%	8.89%
2036-2040	3.50%	7.68%	3.85%	8.45%
2041-2045	3.32%	7.30%	3.66%	8.03%

- k) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

E5. SUMMARY OF TRAFFIC PROJECTIONS

Traffic forecasts are performed for the following 6 vehicles classes and Non-toll vehicles. The definition of vehicle class is given in Table below:

Vehicle Class	Passenger Vehicle	Goods Vehicle
Class 1	Passenger vehicles ≤ 7 seats	Goods vehicles ≤ 2 tons
Class 2	Passenger vehicles 8 -19 seats	Goods vehicles 2 tons $< \& \leq 5$ tons
Class 3	Passenger vehicles 20-39 seats	Goods vehicles 5 tons $< \& \leq 10$ tons, 20' Container Vehicle
Class 4	Passenger vehicles >40 seats	Goods vehicles 10 tons $< \& \leq 15$ tons, 40' Container Vehicle
Class 5		Goods vehicles > 15 tones
Non-toll	Official Toll Exemption	

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

Average Daily Vehicle Forecasts – Conservative

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	8009	58	246	750	6447	1960	17470
2016	10101	72	303	877	8043	2557	21953
2017	11747	84	352	1020	10744	2974	26921
2020	13966	100	418	1212	14722	3536	33955
2025	16356	117	490	1420	21719	4141	44243
2030	19725	141	591	1712	32584	4994	59748
2035	23636	169	708	2052	48066	5984	80616
2040	24424	175	732	2120	49047	6184	82682
2043	24431	175	732	2121	49062	6186	82706

Average Daily Vehicle Forecasts – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	8242	60	253	772	6663	2017	18008
2016	10683	76	320	924	8547	2599	23149
2017	12726	91	381	1101	11837	3096	29232
2020	15454	111	462	1337	16781	3760	37905
2025	18313	131	548	1584	25605	4456	50636
2030	22501	161	673	1946	39945	5475	70701
2035	24610	176	736	2128	49754	5988	83393
2040	24622	176	737	2130	49804	5991	83459
2043	24630	176	737	2130	49834	5993	83499

E6. TOLL RATE STRUCTURE

Future revenues are estimated based on the projected traffic and the anticipated toll rates. The current toll rates include distance related (1) and Bridge (B) and Tunnel (T) Toll Rates (2) are given in Tables below. These toll rates apply to all toll stations. Toll levied at the Expressway are derived from the toll rates below:

Expressway Toll Rates (1)

Toll Rate Category	Vehicle Class	Toll Rate
By Vehicle Class RMB/Km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By Weight	Goods Vehicle	0.08/Ton-Km
Non-toll	Official Toll Exemption	

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

Bridge (B) and Tunnel (T) Toll Rates (2)

Vehicle Class	Toll Rate	Before 1 Aug 2016			On and After 1 Aug 2016		
		Class 1 B/T	Class 2 B/T	Class 3 B/T	Class 1 B/T	Class 2 B/T	Class 3 B/T
Class 1	RMB/Exit	1.20	2.20	3.20	1.50	2.50	3.50
Class 2		2.40	4.40	6.40	3.00	5.00	7.00
Class 3		3.00	5.50	8.00	3.75	6.25	8.75
Class 4		3.60	6.60	9.60	4.50	7.50	10.50
Class 5		3.60	6.60	9.60	4.50	7.50	10.50
Goods Vehicle	RMB/Ton-Km	0.10			0.15		

The Class 1 Passenger Vehicle (≤ 7 seats) is toll-free for the four major festival periods including Spring Festival, Qingming Festival, Labor Day Festival and National Day Festival. The approved total number of days for the four festivals is 20 days in year 2015.

For this study, the above toll levels are assumed to be increased by 15% for every seven years starting from year 2022. This increment represents an increase of about 2.0% per annum and is reasonable when compared to the average economic growth of more than 10% in the regions.

E7. ESTIMATION OF REVENUE

A summary of the revenue estimations for the Expressway under study is presented under two scenarios in the following tables.

Annual Revenue Forecast (RMB Million) – Conservative

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	62.7	0.7	5.2	22.5	111.3	202.4
2016	75.8	0.9	6.0	25.6	133.2	241.5
2017	88.1	1.0	7.0	29.7	178.0	303.9
2020	104.8	1.2	8.3	35.4	243.9	393.5
2025	141.1	1.6	11.2	47.6	413.7	615.3
2030	195.7	2.3	15.6	66.0	713.8	993.4
2035	234.5	2.7	18.7	79.1	1052.9	1387.9
2040	278.7	3.2	22.2	94.0	1235.6	1633.7
2043	320.6	3.7	25.5	108.2	1421.3	1879.3

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

TRAFFIC AND REVENUE FORECAST

Annual Revenue Forecast (RMB Million) – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	64.6	0.7	5.3	23.2	115.0	208.8
2016	80.0	0.9	6.4	26.9	141.3	255.4
2017	95.3	1.1	7.6	32.0	195.6	331.6
2020	115.7	1.3	9.2	38.9	277.4	442.5
2025	157.6	1.8	12.5	53.0	486.7	711.7
2030	222.8	2.6	17.7	74.9	873.1	1191.1
2035	243.6	2.8	19.4	82.0	1087.5	1435.3
2040	280.3	3.2	22.3	94.3	1251.9	1652.0
2043	322.5	3.7	25.6	108.5	1440.5	1900.8

E8. CONCLUSION

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the report of “Guixing Expressway Traffic and Revenue Forecast Study Report”.

Yours sincerely,
For and on behalf of
THI Asia Consultants Limited



Richard Yau
Project Director



Jessica Liang
Project Manager

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

OPERATION AND MAINTENANCE COST ESTIMATION

THI Asia
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Tel : (852) 24123938
Fax : (852) 2899 2176

9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Operation & Maintenance Cost Estimation Study for Guixing Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the “Company”), THI Asia Consultants Limited (also referred to as “Consultant” or “THI”) has conducted an independent assessment on the Operation and Maintenance (O&M) study (the “Study”) of the Guixing Expressway (hereafter referred as the “Expressway”). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future operation and maintenance for the Expressway are estimated in an independent and professional manner.

In conducting the Study, we have based our analyses on brief visual assessment on selected portions and elements of the Expressway; meetings with management of the Expressway operator and site staff available at the time of the site visits; reviews of available feasibility reports and other relevant information. In utilizing the given information provided by the Company, we have sought confirmation from the management of the Expressway that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the “Guixing Expressway Maintenance Cost Estimation Study Report”. A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This operation and maintenance assessment consists of:

- Evaluation of the road conditions;

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

OPERATION AND MAINTENANCE COST ESTIMATION

- Review and comment on the existing O&M Program, with respect to their adequacy and efficiency (cost); and
- Estimation of the future operation and maintenance costs for the remainder of the concession period (2015 to 2043) of the subject facility.

In accordance with the study objectives, scope and schedule, THI conducted a site visit on 11th March 2015 to perform: (a) brief visual assessment on selected portions and elements of the Expressway; and (b) meetings with Expressway Company (hereafter referred as “Operator”) and site staff available at the time of the site visits.

Please note that the scope of this study, however, is not to conduct a detailed inspection or a rigorous engineering analysis of the expressway, but rather, to provide a general overview of the project. The report is intended to give a review on the existing conditions of the expressway and the maintenance aspects in order that the risk, attributable cost and financial viability of the project can be assessed.

E2. TECHNICAL FINDINGS AND RECOMMENDATIONS

The Expressway with a total length of 53.4 Km was designed for the classification of “Expressway” for Truck 20 – Trailer 120 loading with maximum design speed of 120kph respectively. All of the facilities were designed for “Flat/Light Rolling” topography.

During our investigation, we have retrieved some construction documents and O&M records for the facilities. According to the information we have reviewed, all of the facilities under study were designed in accordance with the “Highway Engineering Standard for “Flat/Light rolling” topography.

E3. OPERATION AND MAINTENANCE (O&M) COSTS

The total annual O&M cost includes costs for minor repair/maintenance as well as medium and major repairs. Minor repairs and maintenance refers to the upkeep/preventative actions and minor repairing for normal operation of the highway to be maintained. Medium to major repairs are defined as the required periodical repairs in order to reinstate the original conditions of the highway after long term wear and tear.

The purpose of this study is to review the existing O&M program and to forms the basis in determining future maintenance needs in terms of cost and effort. Emphasis has been placed on major engineering elements and facility structures with the goal of matching the facility needs with the O&M program.

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

OPERATION AND MAINTENANCE COST ESTIMATION

The maintenance of the Expressway is covered by the warranty contract until April 2015. Considering the Expressway had completed in 2013, the major maintenance should be carried out for every 7 years from year 2020/2021.

THI has reviewed and evaluated the estimated maintenance costs and the maintenance schedule of the study roads. We concluded that the cost per km for the minor and maintenance fee is reasonable based on the conditions of the expressway and the anticipated level of traffic.

Operation and Maintenance costs for the concession period (RMB million)

Year	2015	2016	2020	2021	2025	2030	2035	2040	2043
Cost	5.3	11.0	96.1	96.1	10.7	12.4	145.4	16.6	18.1

Management Costs

The management costs include the salaries, staff costs and office administration costs. In view of the Operator has been operated from year 2013, the whole operation setup is well established, the management costs are therefore estimated on the basis of past and existing costs involved.

The future year's costs estimations are given in Table below:

Management costs for the concession period (RMB million)

Year	2015	2016	2020	2021	2025	2030	2035	2040	2043
Cost	16.2	17.7	20.4	21.0	23.6	27.4	31.7	36.8	40.2

APPENDIX A

EXECUTIVE SUMMARY OF THE GUIXING TRAFFIC CONSULTANT'S REPORT

APPENDIX 4

OPERATION AND MAINTENANCE COST ESTIMATION

E4. CONCLUSION

The Consultant concluded that the assessment on the operation and maintenance are consistent with common professional practice and meets the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the “Guixing Expressway Operation & Maintenance Cost Estimation Study Report”.

Yours sincerely,
For and on behalf of
THI Asia Consultants Limited



Richard Yau
Executive Director



Jessica Liang
Project Manager

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

THI Asia
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9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Traffic and Revenue Forecast Study for Guiyang Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the "Company"), THI Asia Consultants Limited (the "Consultant" or "THI") has conducted an independent traffic and revenue study (the "Study") of Guiyang Expressway (hereafter referred as the "Expressway"). The Expressway is a four-lane carriageway (Dual-2) located at the east-southern area of Guilin Municipality (桂林市) connecting Guilin urban area with Yangzhou County (阳朔县) in the east northern of Guangxi Province (广西省). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue for the remainder of the concession period (2015 to 2038) for the Expressway are projected in an independent and professional manner.

The results of our analysis are presented in the report of "Guiyang Expressway Traffic and Revenue Forecast Study Report". A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This report summarizes the results and findings based on the technical analyses conducted. In conducting the Study, we have based our analyses on site investigation, interviews with local authorities/toll road operator, and reviews of available traffic data, feasibility reports, Origin-Destination ("O-D") surveys and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The Expressway with a total length of 67.0 Km is part of the G65 China's National Expressway System connecting Baotou Municipality (包头市) of Inner Mongolia (内蒙古) and Maoming Municipality (茂名) of Guangdong Province (广东省) serving the north-south traffic demand.

E2. OBJECTIVES AND SCOPE OF SERVICES

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study expressway ;
- Collect and review socio-economic data of the study region;

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the traffic corridors under study; and
- Prepare traffic and revenue forecasts.

E3. TRAFFIC FORECASTING METHODOLOGY

The traffic forecasts are based on conventional travel demand forecast methodologies widely adopted for toll road studies and have been applied to similar toll roads in the People's Republic of China ("PRC"). Relevant information collected and accumulated by THI in other projects in Guangxi Province as well as Guangdong Province areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

- a) Data Inventory and Review - The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.
- b) Define Technical Approach - The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.
- c) Travel Demand Forecasting - Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:
 - Economic indicators and growth in travel demand;
 - Physical conditions of the road and its carrying capacity;
 - Vehicle classifications and percentage distribution; and
 - O-D patterns by class of vehicle.

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the Conservative Scenario and the Optimistic Scenario.

E4. PRINCIPAL MODEL / ANALYTICAL ASSUMPTIONS

The general assumptions defined in the Study are as follows:

- a) The use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the region, GDP growth will be used as the key parameter for future forecasts.

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

- b) O-D patterns identified from the available database are applicable to the subject analysis;
- c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;
- d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;
- e) Future economic growth trends in the study region should be consistent with existing regional economic policies, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below;

Annual GDP Growth (%) Assumptions (Conservative)

Year	Guangxi Province	Guilin	Liuzhou
2015	9.8%	9.0%	10.4%
2016-2020	8.8%	8.1%	9.4%
2021-2025	8.4%	7.7%	8.9%
2026-2030	7.9%	7.3%	8.4%
2031-2035	7.5%	6.9%	8.0%
2036-2040	7.2%	6.6%	7.6%

- f) Technical parameters associated with the determination of facility capacity are within the practical range;
- g) Technical data obtained and used for the analysis is accurate and reliable, and therefore is a good representation of the typical average condition;
- h) Based on the Highway Capacity Manual and professional judgment, the estimated facility-based sectional capacity for the highways under study is 62,000 vehicles per day. This Sectional Capacities are defined as the maximum number of vehicles that can be accommodated by Expressway road section of facilities per day;
- i) Major new highway links are planned or under construction in the vicinity of the study corridors. The major new links and the expected opening year in the study area are:
 - Year 2016 - Xinglong Expressway (兴龙高速公路)
 - Year 2017 - Yanglu Expressway (阳鹿高速公路)
 - Year 2017 - Guisan Expressway (桂三高速公路)
 - Year 2017 - Xixing Expressway (资兴高速公路)
 - Year 2017 - National Highway G321 expansion (国道 G321)
 - Year 2018 - Liuwu Expressway (柳梧高速公路)
 - Year 2019 - Liyu Expressway (荔玉高速公路)
 - Year 2020 - Guanping Expressway (灌平高速公路)
- j) Future year traffic demand of Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

by area. The resultant growths for Conservative and Optimistic Scenarios are given in table below.

Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2015	4.77%	10.48%	5.25%	11.53%
2016-2020	4.30%	9.43%	4.73%	10.37%
2021-2025	4.08%	8.96%	4.49%	9.85%
2026-2030	3.88%	8.51%	4.27%	9.36%
2031-2035	3.68%	8.09%	4.05%	8.89%
2036-2040	3.50%	7.68%	3.85%	8.45%

- k) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

E5. SUMMARY OF TRAFFIC PROJECTIONS

Traffic forecasts are performed for the following 6 vehicles classes and Non-toll vehicles. The definition of vehicle class is given in Table below:

Vehicle Class	Passenger Vehicle	Goods Vehicle
Class 1	Passenger vehicles ≤ 7 seats	Goods vehicles ≤ 2 tons
Class 2	Passenger vehicles 8 -19 seats	Goods vehicles $2 \text{ tons} < \& \leq 5$ tons
Class 3	Passenger vehicles 20-39 seats	Goods vehicles $5 \text{ tons} < \& \leq 10$ tons, 20' Container Vehicle
Class 4	Passenger vehicles >40 seats	Goods vehicles $10 \text{ tons} < \& \leq 15$ tons, 40' Container Vehicle
Class 5		Goods vehicles > 15 tones
Non-toll	Official Toll Exemption	

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

Average Daily Vehicle Forecasts – Conservative

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	13580	116	783	771	3528	1561	20339
2016	14571	125	840	827	3966	1675	22004
2017	16873	144	972	958	6235	1939	27122
2020	25438	218	1466	1444	10724	2924	42213
2025	30386	260	1751	1725	16423	3493	54038
2030	36646	314	2112	2081	24639	4212	70003
2035	43912	376	2530	2493	36346	5047	90704
2038	46681	400	2690	2650	41764	5365	99550

Average Daily Vehicle Forecasts – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	13922	119	802	790	3633	1600	20866
2016	15081	129	869	856	4140	1733	22809
2017	17875	153	1030	1015	6683	2055	28810
2020	28706	246	1654	1630	12367	3299	47902
2025	34834	298	2007	1978	19302	4004	62422
2030	42800	366	2466	2430	30111	4919	83094
2035	47275	405	2724	2684	41611	5434	100133
2038	47290	405	2725	2685	41777	5435	100317

E6. TOLL RATE STRUCTURE

Future revenues are estimated based on the projected traffic and the anticipated toll rates. The current toll rates are given in Table below. These toll rates apply to all toll stations. Toll levied at the Expressway are derived from the toll rates below:

Expressway Toll Rates

Toll Rate Category	Vehicle Class	Toll Rate
By Vehicle Class RMB/Km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By Weight	Goods Vehicle	0.08/Ton-Km
Non-toll	Official Toll Exemption	

The Class 1 Passenger Vehicle (≤ 7 seats) is toll-free for the four major festival periods including Spring Festival, Qingming Festival, Labor Day Festival and National Day Festival. The approved total number of days for the four festivals is 20 days in year 2015.

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

For this study, the above toll levels are assumed to be increased by 15% for every seven years starting from year 2022. This increment represents an increase of about 2.0% per annum and is reasonable when compared to the average economic growth of more than 10% in the regions.

E7. ESTIMATION OF REVENUE

A summary of the revenue estimations for the Expressway under study is presented under two scenarios in the following tables.

Annual Revenue Forecast (RMB Million) – Conservative

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	94.6	1.5	14.1	16.5	35.6	162.3
2016	101.5	1.6	15.1	17.7	40.1	176.0
2017	117.6	1.9	17.5	20.5	63.0	220.4
2020	177.2	2.8	26.3	30.9	108.3	345.6
2025	243.5	3.9	36.2	42.5	190.7	516.7
2030	337.7	5.4	50.2	58.9	329.1	781.2
2035	404.6	6.5	60.1	70.6	485.5	1027.2
2038	494.6	7.9	73.5	86.3	641.5	1303.8

Annual Revenue Forecast (RMB Million) – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	97.0	1.5	14.4	16.9	36.7	166.6
2016	105.1	1.7	15.6	18.3	41.8	182.5
2017	124.5	2.0	18.5	21.7	67.5	234.2
2020	200.0	3.2	29.7	34.9	124.9	392.7
2025	279.1	4.5	41.5	48.7	224.2	597.9
2030	394.4	6.3	58.6	68.8	402.2	930.2
2035	435.6	6.9	64.7	76.0	555.8	1139.0
2038	501.1	8.0	74.5	87.4	641.7	1312.6

E8. CONCLUSION

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the report of “Guiyang Expressway Traffic and Revenue Forecast Study Report”.

APPENDIX B
EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

TRAFFIC AND REVENUE FORECAST

Yours sincerely,
For and on behalf of
THI Asia Consultants Limited



Richard Yau
Project Director



Jessica Liang
Project Manager

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

OPERATION AND MAINTENANCE COST ESTIMATION

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9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Operation & Maintenance Cost Estimation Study for Guiyang Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the “Company”), THI Asia Consultants Limited (also referred to as “Consultant” or “THI”) has conducted an independent assessment on the Operation and Maintenance (O&M) study (the “Study”) of the Guiyang Expressway (hereafter referred as the “Expressway”). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future operation and maintenance for the Expressway are estimated in an independent and professional manner.

In conducting the Study, we have based our analyses on brief visual assessment on selected portions and elements of the Expressway; meetings with management of the Expressway operator and site staff available at the time of the site visits; reviews of available feasibility reports and other relevant information. In utilizing the given information provided by the Company, we have sought confirmation from the management of the Expressway that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the “Guiyang Expressway Maintenance Cost Estimation Study Report”. A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This operation and maintenance assessment consists of:

- Evaluation of the road conditions;

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

OPERATION AND MAINTENANCE COST ESTIMATION

- Review and comment on the existing O&M Program, with respect to their adequacy and efficiency (cost); and
- Estimation of the future operation and maintenance costs for the remainder of the concession period (2015 to 2038) of the subject facility.

In accordance with the study objectives, scope and schedule, THI conducted a site visit on 11th March 2015 to perform: (a) brief visual assessment on selected portions and elements of the Expressway; and (b) meetings with Expressway Company (hereafter referred as “Operator”) and site staff available at the time of the site visits.

Please note that the scope of this study, however, is not to conduct a detailed inspection or a rigorous engineering analysis of the expressway, but rather, to provide a general overview of the project. The report is intended to give a review on the existing conditions of the expressway and the maintenance aspects in order that the risk, attributable cost and financial viability of the project can be assessed.

E2. TECHNICAL FINDINGS AND RECOMMENDATIONS

The Expressway with a total length of 67.0 Km was designed for the classification of “Expressway” for Truck 20 – Trailer 120 loading with maximum design speed of 120kph respectively. All of the facilities were designed for “Flat/Light Rolling” topography.

During our investigation, we have retrieved some construction documents and O&M records for the facilities. According to the information we have reviewed, all of the facilities under study were designed in accordance with the “Highway Engineering Standard for “Flat/Light rolling” topography.

E3. OPERATION AND MAINTENANCE (O&M) COSTS

The total annual O&M cost includes costs for minor repair/maintenance as well as medium and major repairs. Minor repairs and maintenance refers to the upkeep/preventative actions and minor repairing for normal operation of the highway to be maintained. Medium to major repairs are defined as the required periodical repairs in order to reinstate the original conditions of the highway after long term wear and tear.

The purpose of this study is to review the existing O&M program and to forms the basis in determining future maintenance needs in terms of cost and effort. Emphasis has been

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

OPERATION AND MAINTENANCE COST ESTIMATION

placed on major engineering elements and facility structures with the goal of matching the facility needs with the O&M program.

Considering the Expressway had completed in 2008, the major maintenance should be carried out for every 7 years from year 2019/2020.

THI has reviewed and evaluated the estimated maintenance costs and the maintenance schedule of the study roads. We concluded that the cost per km for the minor and maintenance fee is reasonable based on the conditions of the expressway and the anticipated level of traffic.

Operation and Maintenance costs for the concession period (RMB million)

Year	2015	2016	2019	2020	2025	2030	2035	2038
Cost	5.1	6.2	93.3	93.3	9.6	11.2	12.9	14.1

Management Costs

The management costs include the salaries, staff costs and office administration costs. In view of the Operator has been operated from year 2008, the whole operation setup is well established and there will be no new toll plaza to be built in the foreseeable future, the management costs are therefore estimated on the basis of past and existing costs involved.

The future year's costs estimations are given in Table below:

Management costs for the concession period (RMB million)

Year	2015	2016	2019	2020	2025	2030	2035	2038
Cost	16.1	16.8	18.5	19.1	22.1	25.6	29.7	32.5

APPENDIX B

EXECUTIVE SUMMARY OF THE GUIYANG TRAFFIC CONSULTANT'S REPORT

APPENDIX 5

OPERATION AND MAINTENANCE COST ESTIMATION

E4. CONCLUSION

The Consultant concluded that the assessment on the operation and maintenance are consistent with common professional practice and meets the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the “Guiyang Expressway Operation & Maintenance Cost Estimation Study Report”.

Yours sincerely,

For and on behalf of

THI Asia Consultants Limited



Richard Yau
Executive Director



Jessica Liang
Project Manager

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

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Tel : (852) 24123938
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9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Traffic and Revenue Forecast Study for Yangping Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the "Company"), THI Asia Consultants Limited (the "Consultant" or "THI") has conducted an independent traffic and revenue study (the "Study") of Yangping Expressway (hereafter referred as the "Expressway"). The Expressway is a four-lane carriageway (Dual-2) located at the east-southern area of Guilin Municipality (桂林市) connecting Yangzhou County (阳朔县) with Pingle County (平乐县) in the east northern of Guangxi Province (广西省). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue for the remainder of the concession period (2015 to 2038) for the Expressway are projected in an independent and professional manner.

The results of our analysis are presented in the report of "Yangping Expressway Traffic and Revenue Forecast Study Report". A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This report summarizes the results and findings based on the technical analyses conducted. In conducting the Study, we have based our analyses on site investigation, interviews with local authorities/toll road operator, and reviews of available traffic data, feasibility reports, Origin-Destination ("O-D") surveys and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The Expressway with a total length of 39.52 Km is part of the G65 China's National Expressway System connecting Baotou Municipality (包头市) of Inner Mongolia (内蒙古) and Maoming Municipality (茂名) of Guangdong Province (广东省) serving the north-south traffic demand.

E2. OBJECTIVES AND SCOPE OF SERVICES

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study expressway ;

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

- Collect and review socio-economic data of the study region;
- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the traffic corridors under study; and
- Prepare traffic and revenue forecasts.

E3. TRAFFIC FORECASTING METHODOLOGY

The traffic forecasts are based on conventional travel demand forecast methodologies widely adopted for toll road studies and have been applied to similar toll roads in the People's Republic of China ("PRC"). Relevant information collected and accumulated by THI in other projects in Guangxi Province as well as Guangdong Province areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

- a) **Data Inventory and Review** - The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.
- b) **Define Technical Approach** - The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.
- c) **Travel Demand Forecasting** - Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:
 - Economic indicators and growth in travel demand;
 - Physical conditions of the road and its carrying capacity;
 - Vehicle classifications and percentage distribution; and
 - O-D patterns by class of vehicle.

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the Conservative Scenario and the Optimistic Scenario.

E4. PRINCIPAL MODEL / ANALYTICAL ASSUMPTIONS

The general assumptions defined in the Study are as follows:

- a) The use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the region, GDP growth will be used as the key parameter for future forecasts.

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

- b) O-D patterns identified from the available database are applicable to the subject analysis;
- c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;
- d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;
- e) Future economic growth trends in the study region should be consistent with existing regional economic policies, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below;

Annual GDP Growth (%) Assumptions (Conservative)

Year	Guangxi Province	Guilin	Liuzhou
2015	9.8%	9.0%	10.4%
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- f) Technical parameters associated with the determination of facility capacity are within the practical range;
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 - Year 2019 - Liyu Expressway (荔玉高速公路)
 - Year 2020 - Guanping Expressway (灌平高速公路)
- j) Future year traffic demand of Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

by area. The resultant growths for Conservative and Optimistic Scenarios are given in table below.

Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2015	4.77%	10.48%	5.25%	11.53%
2016-2020	4.30%	9.43%	4.73%	10.37%
2021-2025	4.08%	8.96%	4.49%	9.85%
2026-2030	3.88%	8.51%	4.27%	9.36%
2031-2035	3.68%	8.09%	4.05%	8.89%
2036-2040	3.50%	7.68%	3.85%	8.45%

- k) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

E5. SUMMARY OF TRAFFIC PROJECTIONS

Traffic forecasts are performed for the following 6 vehicles classes and Non-toll vehicles. The definition of vehicle class is given in Table below:

Vehicle Class	Passenger Vehicle	Goods Vehicle
Class 1	Passenger vehicles ≤ 7 seats	Goods vehicles ≤ 2 tons
Class 2	Passenger vehicles 8 -19 seats	Goods vehicles $2 \text{ tons} < \& \leq 5$ tons
Class 3	Passenger vehicles 20-39 seats	Goods vehicles $5 \text{ tons} < \& \leq 10$ tons, 20' Container Vehicle
Class 4	Passenger vehicles >40 seats	Goods vehicles $10 \text{ tons} < \& \leq 15$ tons, 40' Container Vehicle
Class 5		Goods vehicles > 15 tones
Non-toll	Official Toll Exemption	

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

Average Daily Vehicle Forecasts – Conservative

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	5164	51	282	622	1965	216	8299
2016	5644	55	308	680	2248	236	9172
2017	7156	70	391	862	2966	299	11745
2020	11763	115	642	1417	5542	492	19972
2025	17492	172	955	2108	10279	731	31738
2030	21096	207	1152	2542	15422	882	41301
2035	25278	248	1381	3046	22749	1057	53759
2038	27945	274	1526	3367	28325	1168	62606

Average Daily Vehicle Forecasts – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Non- Toll	Total
	1	2	3	4			
2015	5362	53	293	646	2047	224	8626
2016	5938	58	324	715	2383	248	9667
2017	7821	77	427	942	3273	327	12868
2020	13889	136	759	1674	6669	581	23707
2025	21807	214	1191	2628	13313	912	40065
2030	26794	263	1463	3229	20769	1120	53639
2035	32681	321	1785	3938	31800	1367	71891
2038	33668	330	1839	4057	33397	1408	74699

E6. TOLL RATE STRUCTURE

Future revenues are estimated based on the projected traffic and the anticipated toll rates. The current toll rates include distance related (1) and Bridge (B) and Tunnel (T) Toll Rates (2) are given in Tables below. These toll rates apply to all toll stations. Toll levied at the Expressway are derived from the toll rates below:

Expressway Toll Rates(1)

Toll Rate Category	Vehicle Class	Toll Rate
By Vehicle Class RMB/Km	Class 1	0.50
	Class 2	0.80
	Class 3	1.20
	Class 4	1.44
	Class 5	1.68
By Weight	Goods Vehicle	0.08/Ton-Km
Non-toll	Official Toll Exemption	

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

Bridge (B) and Tunnel (T) Toll Rate (2)

Vehicle Class	Toll Rate	Before 1 Aug 2016			On and After 1 Aug 2016		
		Class 1	Class 2	Class 3	Class 1	Class 2	Class 3
		B/T	B/T	B/T	B/T	B/T	B/T
Class 1	RMB/Exit	1.20	2.20	3.20	1.50	2.50	3.50
Class 2		2.40	4.40	6.40	3.00	5.00	7.00
Class 3		3.00	5.50	8.00	3.75	6.25	8.75
Class 4		3.60	6.60	9.60	4.50	7.50	10.50
Class 5		3.60	6.60	9.60	4.50	7.50	10.50
Goods Vehicle	RMB/Ton-Km	0.10			0.15		

The Class 1 Passenger Vehicle (≤ 7 seats) is toll-free for the four major festival periods including Spring Festival, Qingming Festival, Labor Day Festival and National Day Festival. The approved total number of days for the four festivals is 20 days in year 2015.

For this study, the above toll levels are assumed to be increased by 15% for every seven years starting from year 2022. This increment represents an increase of about 2.0% per annum and is reasonable when compared to the average economic growth of more than 10% in the regions.

E7. ESTIMATION OF REVENUE

A summary of the revenue estimations for the Expressway under study is presented under two scenarios in the following tables.

Annual Revenue Forecast (RMB Million) – Conservative

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	36.8	0.7	5.2	15.3	29.0	87.1
2016	40.3	0.8	5.6	16.7	33.2	96.7
2017	51.1	1.0	7.2	21.2	43.8	124.3
2020	70.5	1.4	9.9	29.3	68.8	179.8
2025	120.6	2.3	16.9	50.1	146.7	336.6
2030	167.2	3.2	23.5	69.5	253.1	516.5
2035	200.4	3.9	28.1	83.3	373.3	689.0
2038	254.7	4.9	35.7	105.9	534.6	935.9

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

TRAFFIC AND REVENUE FORECAST

Annual Revenue Forecast (RMB Million) – Optimistic

Year	Passenger Vehicle				Goods Vehicle	Total
	1	2	3	4		
2015	38.3	0.7	5.4	15.9	30.2	90.5
2016	42.4	0.8	5.9	17.6	35.2	101.9
2017	55.8	1.1	7.8	23.2	48.4	136.3
2020	79.3	1.5	11.1	33.0	78.8	203.7
2025	143.1	2.8	20.1	59.5	180.9	406.5
2030	202.3	3.9	28.4	84.1	324.6	643.3
2035	246.7	4.8	34.6	102.6	497.0	885.7
2038	292.3	5.7	41.0	121.5	600.3	1060.8

E8. CONCLUSION

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the report of “Yangping Expressway Traffic and Revenue Forecast Study Report”.

Yours sincerely,
For and on behalf of
THI Asia Consultants Limited



Richard Yau
Project Director



Jessica Liang
Project Manager

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

OPERATION AND MAINTENANCE COST ESTIMATION

THI Asia
鼎漢亞洲

THI Asia
Consultants
Limited
303, 3/F Sam Cheong Building
216-220 Des Voeux Road Central, Hong Kong
Tel : (852) 24123938
Fax : (852) 2899 2176

9 June 2015

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Operation & Maintenance Cost Estimation Study for Yangping Expressway

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the “Company”), THI Asia Consultants Limited (also referred to as “Consultant” or “THI”) has conducted an independent assessment on the Operation and Maintenance (O&M) study (the “Study”) of the Yangping Expressway (hereafter referred as the “Expressway”). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future operation and maintenance for the Expressway are estimated in an independent and professional manner.

In conducting the Study, we have based our analyses on brief visual assessment on selected portions and elements of the Expressway; meetings with management of the Expressway operator and site staff available at the time of the site visits; reviews of available feasibility reports and other relevant information. In utilizing the given information provided by the Company, we have sought confirmation from the management of the Expressway that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the “Yangping Expressway Maintenance Cost Estimation Study Report”. A brief summary of our study approaches and findings is presented below:

E1. INTRODUCTION

This operation and maintenance assessment consists of:

- Evaluation of the road conditions;

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

OPERATION AND MAINTENANCE COST ESTIMATION

- Review and comment on the existing O&M Program, with respect to their adequacy and efficiency (cost); and
- Estimation of the future operation and maintenance costs for the remainder of the concession period (2015 to 2038) of the subject facility.

In accordance with the study objectives, scope and schedule, THI conducted a site visit on 11th March 2015 to perform: (a) brief visual assessment on selected portions and elements of the Expressway; and (b) meetings with Expressway Company (hereafter referred as “Operator”) and site staff available at the time of the site visits.

Please note that the scope of this study, however, is not to conduct a detailed inspection or a rigorous engineering analysis of the expressway, but rather, to provide a general overview of the project. The report is intended to give a review on the existing conditions of the expressway and the maintenance aspects in order that the risk, attributable cost and financial viability of the project can be assessed.

E2. TECHNICAL FINDINGS AND RECOMMENDATIONS

The Expressway with a total length of 39.52 Km was designed for the classification of “Expressway” for Truck 20 – Trailer 120 loading with maximum design speed of 120kph respectively. All of the facilities were designed for “Flat/Light Rolling” topography.

During our investigation, we have retrieved some construction documents and O&M records for the facilities. According to the information we have reviewed, all of the facilities under study were designed in accordance with the “Highway Engineering Standard for “Flat/Light rolling” topography.

E3. OPERATION AND MAINTENANCE (O&M) COSTS

The total annual O&M cost includes costs for minor repair/maintenance as well as medium and major repairs. Minor repairs and maintenance refers to the upkeep/preventative actions and minor repairing for normal operation of the highway to be maintained. Medium to major repairs are defined as the required periodical repairs in order to reinstate the original conditions of the highway after long term wear and tear.

The purpose of this study is to review the existing O&M program and to forms the basis in determining future maintenance needs in terms of cost and effort. Emphasis has been placed on major engineering elements and facility structures with the goal of matching the facility needs with the O&M program.

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

OPERATION AND MAINTENANCE COST ESTIMATION

Considering the Expressway had completed in 2008, the major maintenance should be carried out for every 7 years from year 2019/2020.

THI has reviewed and evaluated the estimated maintenance costs and the maintenance schedule of the study roads. We concluded that the cost per km for the minor and maintenance fee is reasonable based on the conditions of the expressway and the anticipated level of traffic.

Operation and Maintenance costs for the concession period (RMB million)

Year	2015	2016	2019	2020	2025	2030	2035	2038
Cost	5.1	6.4	59.8	59.8	10.3	11.9	13.8	15.1

Management Costs

The management costs include the salaries, staff costs and office administration costs. In view of the Operator has been operated from year 2008, the whole operation setup is well established and there will be no new toll plaza to be built in the foreseeable future, the management costs are therefore estimated on the basis of past and existing costs involved.

The future year's costs estimations are given in Table below:

Management costs for the concession period (RMB million)

Year	2015	2016	2019	2020	2025	2030	2035	2038
Cost	10.2	10.6	11.7	12.1	14.0	16.2	18.8	20.5

APPENDIX C

EXECUTIVE SUMMARY OF THE YANGPING TRAFFIC CONSULTANT'S REPORT

APPENDIX 6

OPERATION AND MAINTENANCE COST ESTIMATION

E4. CONCLUSION

The Consultant concluded that the assessment on the operation and maintenance are consistent with common professional practice and meets the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the “Yangping Expressway Operation & Maintenance Cost Estimation Study Report”.

Yours sincerely,
For and on behalf of
THI Asia Consultants Limited



Richard Yau
Executive Director



Jessica Liang
Project Manager

APPENDIX D
GUIXING TARGET VALUATION REPORT

Valuation Report

**100% Equity Interest in Guangxi Guixing Expressway
Investment & Construction Co., Ltd.**

Ref: 2015BJV6009E

Valuation Date: December 31st 2014

Prepared for

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

Prepared by

 **中和資產評估有限公司**
ZhongHe Appraisal Co., Ltd.

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

Ref: 2015BJV6009E

May 20th 2015

The Board of Directors

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

6 Temasek Boulevard

Suntec Tower Four #3304

Singapore 038986

Dear Sirs/Madams:

100% Equity Interest in Guangxi Guixing Expressway Investment & Construction Co., Ltd.

In accordance with the instructions from China Merchants Holdings (Pacific) Limited (the “Company”), we were engaged to perform a valuation analysis in relation to the 100% equity interest (the “Equity Interest”) in Guangxi Guixing Expressway Investment & Construction Co., Ltd. (the “Target Company”) as of December 31st 2014 (the “Valuation Date”).

It is our understanding that our analysis will be used for acquisition reference purpose by the management of the Company only. Our analysis was conducted for the above purpose and this report should be used for no other purpose without our express written consent. Our work was done subject to the limiting conditions and general & specific assumptions described in our valuation report. Please also pay attention to the specific issues highlighted in this Report. The standard of value is market value; while we assume the Target Company is as going concern.

We express no opinion and do not assume responsibility for the accuracy and completeness of the financial information or other data provided to us by relevant parties. Moreover, we hereby certify that we have neither personal interests in the Target Company, nor to the parties involved.

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APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

SECTION 1 PURPOSE OF ENGAGEMENT

The Company is considering a proposed acquisition of the 100% equity of the Target Company and hereby requires a valuation on the equity interest as of December 31st 2014. It is our understanding that our analysis will be used for acquisition reference purpose only.

SECTION 2 BASIS OF VALUATION

Market value has been adopted as the type of value pursuant to the purpose of valuation and the characteristics of the entrusted assets. It is defined as the estimated amount for which a property should exchange as of the effective date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

This valuation shall be in compliance with the laws and regulations of People's Republic of China and pursuant to the valuation standards.

SECTION 3 COMPANY OVERVIEW

The company is responsible for the investment, construction and tolling management of the Guilin - Xing'an Expressway, a Build-Operate-Transfer ("BOT") project.

In 2006, the Guilin – Xing'an Expressway ran the trial operation and was open to traffic in April 2013, with an approved operation period of 29 years. The Guilin – Xing'an Expressway, or the Gui-Xing Expressway, has total length of 53.401 kilometers. It is a double four-lane expressway with a speed limit of 120 kilometer per hour, a subgrade of 28 meters wide, and 39 bridges with a total length of 4,981.5 meters.

SECTION 4 APPROACHES OF VALUATION

In accordance with the laws and regulations of China, valuation standards as well as international practice, cost approach, market approach and income approach are considered as the three basic approaches of business valuation. In developing an appropriate valuation opinion, we have analyzed and selected the Income Approach based on the type of value, information available and other

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

necessaries.

4.1 Cost Approach

This is generally used in determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of either reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, and all the factors that may lead to the depreciation.

We have evaluated the cost approach for this valuation but decided not to adopt it due to the value of the equity of an up-and-running company is determined by the ability to generate cash flows in future, rather than the cost of replacement.

4.2 Market Approach

This is commonly used in determining a fair market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the Target Company to similar businesses, business ownership interests, securities, or intangible assets that have been transacted.

Value is established based on the principle of fair competition. Identifying the existence of similarity and comparability between the reference asset and the appraisal of the Target Company is the basis of adopting the market approach.

We have considered and conducted the market approach for this valuation however did not apply the result generated due to the following reasons:

- The characteristics of each expressway are quite different;
- Additionally, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the market estimate of the transactions.

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

4.3 Income Approach

This is often used to determine a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that discount anticipated future net cash flows into a present value.

The choice of the economic benefits of the assets is usually based on historical and/or projected cash flows. Focus is to determine the revenue stream, reasonably reflect the assets of the most likely future earnings stream. This valuation selects the benefit stream for the discounted value and a proper risk adjusted discount rate. The discount rate of the factor typically includes the return of the average market interest rate in the assessment of the benchmark day, the business risks associated with the business of the Target Company, and other risks specific to the asset value.

We have applied the income approach for this valuation due to the following reasons:

- The value of the Equity Interest is determined by the ability to generate cash flows in future; and
- With the supports from the Independent Technical Expert, the traffic volume, the revenue, the corresponding costs and capital expenditure can be fairly identified, which could derive the value based on reasonable assumptions.

SECTION 5 ASSUMPTIONS AND LIMITING CONDITIONS

5.1 General Assumptions

- 1) There would be no significant changes in the prevailing domestic and local laws, regulations, political and economic policies where the Target Company is operated.
- 2) The Target Company is as a going concern, and all associated assets is to serve in the present location and in the prevailing way.
- 3) There would be no significant changes in the prevailing interest rates,

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

exchange rates, tax bases and rates, policy-related charges in the near future.

- 4) There would be no force majeure or unforeseeable factors that may have a material adverse impact on the valuation conclusions.

5.2 Specific Assumptions and Limiting Conditions

- 1) The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business.
- 2) The present and future management is responsible and shall act smoothly to achieve their business plan.
- 3) The management of the Target Company shall comply with relevant domestic laws and regulations and shall not conduct significant infractions that may influence their business or realization of the expected returns.
- 4) The associated assets were purchased, obtained, constructed or developed in compliance with relevant domestic laws and regulations.
- 5) There were no significant technical faults in the tangible assets of the Target Company that may affect their future service or hazardous substances or adverse environmental conditions that may affect their market values.
- 6) We have conducted the visual inspection on the physical appearance of the subject assets during the valuation, instead of any specific inspections on their technical data, physical condition, structure or concealed work.

In the event of any discrepancy arisen out of the physical truth and the above assumptions in the future, the conclusions hereinafter shall be influenced accordingly. The intended user(s) of this Report shall take fully account of the

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

potential impact of these assumptions on the Conclusions.

SECTION 6 CONCLUSIONS

Both the income approach and the market approach were conducted in this analysis, and the result derived from the former was adopted as follows:

As of the effective date of valuation on December 31st 2014, under the purpose of valuation, assumptions, limiting conditions and special issues stated hereby, the market value of the Equity Interest of the Target Company is RMB1,578.00 million.

The sensitivity analysis of discount rate is indicated as follows:

Discount Rate	9.0%	10.0%	10.9%	11.5%	12.0%
Market Value (in million)	2,510.00	1,977.00	1,578.00	1,324.00	1,139.00

SECTION 7 SPECIFIC ISSUES

The special issues stated hereby shall refer to the issues, upon the determination of the valuation results that we found that may affect the Conclusions but were beyond the practice and expertise of us as follows:

1. The book value and the market value were rounded and the mantissa was unadjusted.
2. The market value arrived was based on the projections provided by the client and may vary in the event of the possible differences between the projections and the physical truth.
3. The traffic, revenue and cost forecasts associated in this valuation were subject to “*Guixing Expressway in Guangxi Province Operation and Maintenance Cost Estimation Study Report*” and “*Guixing Expressway in Guangxi Province Traffic and Revenue Forecast Study Report*” issued by THI Asia Consultants Limited on April 16th 2015 and submitted by the client.

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

4. The market value of the subject assets were based on the assumption of their legal title perfection.
5. Any potential charges regarding the registration of legal title change were not considered in this valuation.
6. The conclusions hereby indicate the practical market value of the subject assets particularly under the purpose of valuation, assumptions and limiting conditions stated in this Report. The conclusions shall retire in the event of changing the aforementioned assumptions and limiting conditions.
7. Neither the valuers nor Zhonghe Appraisal Co., Ltd. shall take responsibility for any defective issue that may exist and have impacts on valuation conclusions inasmuch as the valuers have enquired in vain for any such information that should be explained prior to the engagement but failed to obtain after their performance of due procedures.
8. No sales by auction or forced sale of pledged securities or collaterals in the future has been considered in this valuation, nor has any additional price by special terms or circumstances under potential changes of ownership, force majeure, other unforeseeable factors or significant changes in domestic macroeconomic policies that may have material impacts to this valuation.
9. Following the valuation procedures, the valuers have conducted due and independent legal title inspection on the subject assets, which, however, does not imply that the valuers are providing warrant or authentication on the legal title herein. The purpose of conducting this valuation is to estimate and provide professional opinion on the market value of the equity interest.
10. The business license, legal title documents, declaration and projection forms submitted by the Target Company were adopted as the basis in preparation of this Report. The client, the appraised company and other concerning parties shall take responsibility for the truth, legality and completeness of the originals of the aforementioned.
11. Except for this engagement, the valuers have no existing or expected interest relationship with the concerning parties, or any bias towards them.

APPENDIX D

GUIXING TARGET VALUATION REPORT



Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

12. The conclusions were issued by Zhonghe Appraisal Co., Ltd. and subject to the competency and professional skills of the valuers.

The intended user(s) shall take into account of the influence derived from the above special issues on the conclusions.

SECTION 8 LIMITATIONS OF USE

1. The conclusions shall be subject to the precondition of going concern.
2. This Report shall serve for the exclusive purpose of valuation and use stated herein.
3. This Report shall serve for the exclusive user(s) stated herein.
4. This Report shall validate exclusively when signed and sealed by the valuers and Zhonghe Appraisal Co., Ltd.
5. Any excerption, citation or disclosure of this Report to the public shall be firstly reviewed or consented by Zhonghe Appraisal Co., Ltd., except as may be required by laws, regulations or agreed between the concerning parties.
6. The expiry date of conclusions shall be one (1) year after the effective date of valuation, or, the conclusions shall retire after December 30th 2015.
7. This Report shall validate exclusively when using as a whole. Zhonghe Appraisal Co., Ltd. shall not take responsibility for any possible loss that results from the partial use of this Report.

----- CONTINUED ON NEXT PAGE -----

APPENDIX D

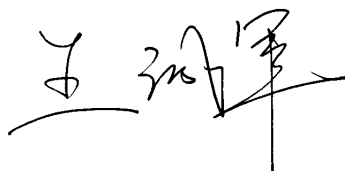
GUIXING TARGET VALUATION REPORT

 中和資產評估有限公司
ZhongHe Appraisal Co., Ltd.

Valuation Report of Guangxi Guixing Investment & Construction Co., Ltd.

SIGNATURE AND BIOGRAPHY

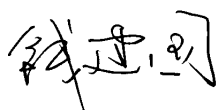
Valuer:



Chengjun Wang, PhD., *CPV, FCPV, FRICS, ASA, FCPA*

Vice Chairman, Partner

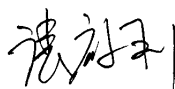
Valuer:



Jianguo Qian, *CPV*

Partner

Valuer:



Qili Zhang, *CPV*

Manager

Zhonghe Appraisal Co., Ltd.

May 20th 2015

Address: Floor 13, Building A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 9
Postal Code: 100027 Tel.: (010) 58383636 Fax: (010) 65547182

APPENDIX E
GUIYANG TARGET VALUATION REPORT

Valuation Report

**100% Equity Interest in Guangxi Guiwu Expressway
Guiyang Section Investment & Construction Co., Ltd.**

Ref: 2015BJV6010E

Valuation Date: December 31st 2014

Prepared for

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

Prepared by

 **中和資產評估有限公司**
ZhongHe Appraisal Co., Ltd.

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

Ref: 2015BJV6010E

May 20th 2015

The Board of Directors

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

6 Temasek Boulevard

Suntec Tower Four #3304

Singapore 038986

Dear Sirs/Madams:

100% Equity Interest in Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

In accordance with the instructions from China Merchants Holdings (Pacific) Limited (the “Company”), we were engaged to perform a valuation analysis in relation to the 100% equity interest (the “Equity Interest”) in Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd. (the “Target Company”) as of December 31st 2014 (the “Valuation Date”).

It is our understanding that our analysis will be used for acquisition reference purpose by the management of the Company only. Our analysis was conducted for the above purpose and this report should be used for no other purpose without our express written consent. Our work was done subject to the limiting conditions and general & specific assumptions described in our valuation report. Please also pay attention to the specific issues highlighted in this Report. The standard of value is market value; while we assume the Target Company is as going concern.

We express no opinion and do not assume responsibility for the accuracy and completeness of the financial information or other data provided to us by relevant parties. Moreover, we hereby certify that we have neither personal interests in the Target Company, nor to the parties involved.

Address: Floor 13, Building A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 1
Postal Code: 100027 Tel.: (010) 58383636 Fax: (010) 65547182

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

SECTION 1 PURPOSE OF ENGAGEMENT

The Company is considering a proposed acquisition of the 100% equity of the Target Company and hereby requires a valuation on the equity interest as of December 31st 2014. It is our understanding that our analysis will be used for acquisition reference purpose only.

SECTION 2 BASIS OF VALUATION

Market value has been adopted as the type of value pursuant to the purpose of valuation and the characteristics of the entrusted assets. It is defined as the estimated amount for which a property should exchange as of the effective date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

This valuation shall be in compliance with the laws and regulations of People's Republic of China and pursuant to the valuation standards.

SECTION 3 COMPANY OVERVIEW

The company is responsible for the investment, construction and tolling management of the Guilin – Yangshuo Expressway, a Build-Operate-Transfer (“BOT”) project.

The Guilin – Yangshuo Expressway ran the trial operation and was open to traffic in August 2008, with an approved operation period expired on July 31st 2037. The Guilin – Yangshuo Expressway, or the Gui-Yang Expressway was designated to be a double four-lane bitulith (asphalt concrete) expressway for plain and tiny hillock area, with a speed limit of 120 kilometer per hour, a subgrade of 28 meters wide, and lanes of 2×7.5 meters wide.

SECTION 4 APPROACHES OF VALUATION

In accordance with the laws and regulations of China, valuation standards as well as international practice, cost approach, market approach and income approach are considered as the three basic approaches of business valuation. In developing an appropriate valuation opinion, we have analyzed and selected the

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

Income Approach based on the type of value, information available and other necessities.

4.1 Cost Approach

This is generally used in determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of either reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, and all the factors that may lead to the depreciation.

We have evaluated the cost approach for this valuation but decided not to adopt it due to the value of the equity of an up-and-running company is determined by the ability to generate cash flows in future, rather than the cost of replacement.

4.2 Market Approach

This is commonly used in determining a fair market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the Target Company to similar businesses, business ownership interests, securities, or intangible assets that have been transacted.

Value is established based on the principle of fair competition. Identifying the existence of similarity and comparability between the reference asset and the appraisal of the Target Company is the basis of adopting the market approach.

We have considered and conducted the market approach for this valuation however did not apply the result generated due to the following reasons:

- The characteristics of each expressway are quite different;
- Additionally, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the market estimate of the transactions.

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

4.3 Income Approach

This is often used to determine a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that discount anticipated future net cash flows into a present value.

The choice of the economic benefits of the assets is usually based on historical and/or projected cash flows. Focus is to determine the revenue stream, reasonably reflect the assets of the most likely future earnings stream. This valuation selects the benefit stream for the discounted value and a proper risk adjusted discount rate. The discount rate of the factor typically includes the return of the average market interest rate in the assessment of the benchmark day, the business risks associated with the business of the Target Company, and other risks specific to the asset value.

We have applied the income approach for this valuation due to the following reasons:

- The value of the Equity Interest is determined by the ability to generate cash flows in future; and
- With the supports from the Independent Technical Expert, the traffic volume, the revenue, the corresponding costs and capital expenditure can be fairly identified, which could derive the value based on reasonable assumptions.

SECTION 5 ASSUMPTIONS AND LIMITING CONDITIONS

5.1 General Assumptions

- 1) There would be no significant changes in the prevailing domestic and local laws, regulations, political and economic policies where the Target Company is operated.
- 2) The Target Company is as a going concern, and all associated assets is to serve in the present location and in the prevailing way.

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

- 3) There would be no significant changes in the prevailing interest rates, exchange rates, tax bases and rates, policy-related charges in the near future.
- 4) There would be no force majeure or unforeseeable factors that may have a material adverse impact on the valuation conclusions.

5.2 Specific Assumptions and Limiting Conditions

- 1) The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business.
- 2) The present and future management is responsible and shall act smoothly to achieve their business plan.
- 3) The management of the Target Company shall comply with relevant domestic laws and regulations and shall not conduct significant infractions that may influence their business or realization of the expected returns.
- 4) The associated assets were purchased, obtained, constructed or developed in compliance with relevant domestic laws and regulations.
- 5) There were no significant technical faults in the tangible assets of the Target Company that may affect their future service or hazardous substances or adverse environmental conditions that may affect their market values.
- 6) We have conducted the visual inspection on the physical appearance of the subject assets during the valuation, instead of any specific inspections on their technical data, physical condition, structure or concealed work.

In the event of any discrepancy arisen out of the physical truth and the above assumptions in the future, the conclusions hereinafter shall be influenced

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

accordingly. The intended user(s) of this Report shall take fully account of the potential impact of these assumptions on the Conclusions.

SECTION 6 CONCLUSIONS

Both the income approach and the market approach were conducted in this analysis, and the result derived from the former was adopted as follows:

As of the effective date of valuation on December 31st 2014, under the purpose of valuation, assumptions, limiting conditions and special issues stated hereby, the market value of the Equity Interest of the Target Company is RMB932.00 million.

The sensitivity analysis of discount rate is indicated as follows:

Discount Rate	9.0%	10.0%	10.9%	11.5%	12.0%
Market Value (in million)	1,503.00	1,179.00	932.00	770.00	652.00

SECTION 7 SPECIFIC ISSUES

The special issues stated hereby shall refer to the issues, upon the determination of the valuation results that we found that may affect the Conclusions but were beyond the practice and expertise of us as follows:

1. The book value and the market value were rounded and the mantissa was unadjusted.
2. The market value arrived was based on the projections provided by the client and may vary in the event of the possible differences between the projections and the physical truth.
3. The traffic, revenue and cost forecasts associated in this valuation were subject to “*Guiyang Expressway in Guangxi Province Operation and Maintenance Cost Estimation Study Report*” and “*Guiyang Expressway in Guangxi Province Traffic and Revenue Forecast Study Report*” issued by THI Asia Consultants Limited on April 16th 2015 and submitted by the client.

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

4. The market value of the subject assets were based on the assumption of their legal title perfection.
5. Any potential charges regarding the registration of legal title change were not considered in this valuation.
6. The conclusions hereby indicate the practical market value of the subject assets particularly under the purpose of valuation, assumptions and limiting conditions stated in this Report. The conclusions shall retire in the event of changing the aforementioned assumptions and limiting conditions.
7. Neither the valuers nor Zhonghe Appraisal Co., Ltd. shall take responsibility for any defective issue that may exist and have impacts on valuation conclusions inasmuch as the valuers have enquired in vain for any such information that should be explained prior to the engagement but failed to obtain after their performance of due procedures.
8. No sales by auction or forced sale of pledged securities or collaterals in the future has been considered in this valuation, nor has any additional price by special terms or circumstances under potential changes of ownership, force majeure, other unforeseeable factors or significant changes in domestic macroeconomic policies that may have material impacts to this valuation.
9. Following the valuation procedures, the valuers have conducted due and independent legal title inspection on the subject assets, which, however, does not imply that the valuers are providing warrant or authentication on the legal title herein. The purpose of conducting this valuation is to estimate and provide professional opinion on the market value of the equity interest.
10. The business license, legal title documents, declaration and projection forms submitted by the Target Company were adopted as the basis in preparation of this Report. The client, the appraised company and other concerning parties shall take responsibility for the truth, legality and completeness of the originals of the aforementioned.
11. Except for this engagement, the valuers have no existing or expected interest

APPENDIX E

GUIYANG TARGET VALUATION REPORT



Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

relationship with the concerning parties, or any bias towards them.

12. The conclusions were issued by Zhonghe Appraisal Co., Ltd. and subject to the competency and professional skills of the valuers.

The intended user(s) shall take into account of the influence derived from the above special issues on the conclusions.

SECTION 8 LIMITATIONS OF USE

1. The conclusions shall be subject to the precondition of going concern.
2. This Report shall serve for the exclusive purpose of valuation and use stated herein.
3. This Report shall serve for the exclusive user(s) stated herein.
4. This Report shall validate exclusively when signed and sealed by the valuers and Zhonghe Appraisal Co., Ltd.
5. Any excerption, citation or disclosure of this Report to the public shall be firstly reviewed or consented by Zhonghe Appraisal Co., Ltd., except as may be required by laws, regulations or agreed between the concerning parties.
6. The expiry date of conclusions shall be one (1) year after the effective date of valuation, or, the conclusions shall retire after December 30th 2015.
7. This Report shall validate exclusively when using as a whole. Zhonghe Appraisal Co., Ltd. shall not take responsibility for any possible loss that results from the partial use of this Report.

----- CONTINUED ON NEXT PAGE -----

APPENDIX E

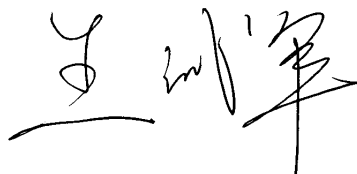
GUIYANG TARGET VALUATION REPORT

 中和資產評估有限公司
ZhongHe Appraisal Co., Ltd.

Valuation Report of Guangxi Guiwu Expressway Guiyang Section Investment & Construction Co., Ltd.

SIGNATURE AND BIOGRAPHY

Valuer:



Chengjun Wang, PhD., *CPV, FCPV, FRICS, ASA, FCPA*

Vice Chairman, Partner

Valuer:



Jianguo Qian, *CPV*

Partner

Valuer:



Qili Zhang, *CPV*

Manager

Zhonghe Appraisal Co., Ltd.

May 20th 2015

Address: Floor 13, Building A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 9
Postal Code: 100027 Tel.: (010) 58383636 Fax: (010) 65547182

APPENDIX F
YANGPING TARGET VALUATION REPORT

Valuation Report

**100% Equity Interest in Guangxi Huatong Expressway
Co., Ltd.**

Ref: 2015BJV6011E

Valuation Date: December 31st 2014

Prepared for

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

Prepared by

 **中和資產評估有限公司**
ZhongHe Appraisal Co., Ltd.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

Ref: 2015BJV6011E

May 20th 2015

The Board of Directors

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

6 Temasek Boulevard

Suntec Tower Four #3304

Singapore 038986

Dear Sirs/Madams:

100% Equity Interest in Guangxi Huatong Expressway Co., Ltd.

In accordance with the instructions from China Merchants Holdings (Pacific) Limited (the “Company”), we were engaged to perform a valuation analysis in relation to the 100% equity interest (the “Equity Interest”) in Guangxi Huatong Expressway Co., Ltd. (the “Target Company”) as of December 31st 2014 (the “Valuation Date”).

It is our understanding that our analysis will be used for acquisition reference purpose by the management of the Company only. Our analysis was conducted for the above purpose and this report should be used for no other purpose without our express written consent. Our work was done subject to the limiting conditions and general & specific assumptions described in our valuation report. Please also pay attention to the specific issues highlighted in this Report. The standard of value is market value; while we assume the Target Company is as going concern.

We express no opinion and do not assume responsibility for the accuracy and completeness of the financial information or other data provided to us by relevant parties. Moreover, we hereby certify that we have neither personal interests in the Target Company, nor to the parties involved.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

SECTION 1 PURPOSE OF ENGAGEMENT

The Company is considering a proposed acquisition of the 100% equity of the Target Company and hereby requires a valuation on the Equity Interest as of December 31st 2014. It is our understanding that our analysis will be used for acquisition reference purpose only.

SECTION 2 BASIS OF VALUATION

Market value has been adopted as the type of value pursuant to the purpose of valuation and the characteristics of the entrusted assets. It is defined as the estimated amount for which a property should exchange as of the effective date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

This valuation shall be in compliance with the laws and regulations of People's Republic of China and pursuant to the valuation standards.

SECTION 3 COMPANY OVERVIEW

The company is responsible for the investment, construction and tolling management of the Yangshuo – Pingle Expressway, a Build-Operate-Transfer (“BOT”) project.

The Yangshuo – Pingle Expressway was open to traffic in November 2008, with an approved operation period expired on June 17th 2037. The Yangshuo – Pingle Expressway, or the Yang – Ping Expressway was designated to be a double four-lane expressway with a speed limit of 120 kilometer per hour.

SECTION 4 APPROACHES OF VALUATION

In accordance with the laws and regulations of China, valuation standards as well as international practice, cost approach, market approach and income approach are considered as the three basic approaches of business valuation. In developing an appropriate valuation opinion, we have analyzed and selected the Income Approach based on the type of value, information available and other necessities.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

4.1 Cost Approach

This is generally used in determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of either reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, and all the factors that may lead to the depreciation.

We have evaluated the cost approach for this valuation but decided not to adopt it due to the value of the equity of an up-and-running company is determined by the ability to generate cash flows in future, rather than the cost of replacement.

4.2 Market Approach

This is commonly used in determining a fair market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the Target Company to similar businesses, business ownership interests, securities, or intangible assets that have been transacted.

Value is established based on the principle of fair competition. Identifying the existence of similarity and comparability between the reference asset and the appraisal of the Target Company is the basis of adopting the market approach.

We have considered and conducted the market approach for this valuation however did not apply the result generated due to the following reasons:

- The characteristics of each expressway are quite different;
- Additionally, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the market estimate of the transactions.

4.3 Income Approach

Address: Floor 13, Building A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 3
Postal Code: 100027 Tel.: (010) 58383636 Fax: (010) 65547182

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

This is often used to determine a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that discount anticipated future net cash flows into a present value.

The choice of the economic benefits of the assets is usually based on historical and/or projected cash flows. Focus is to determine the revenue stream, reasonably reflect the assets of the most likely future earnings stream. This valuation selects the benefit stream for the discounted value and a proper risk adjusted discount rate. The discount rate of the factor typically includes the return of the average market interest rate in the assessment of the benchmark day, the business risks associated with the business of the Target Company, and other risks specific to the asset value.

We have applied the income approach for this valuation due to the following reasons:

- The value of the Equity Interest is determined by the ability to generate cash flows in future; and
- With the supports from the Independent Technical Expert, the traffic volume, the revenue, the corresponding costs and capital expenditure can be fairly identified, which could derive the value based on reasonable assumptions.

SECTION 5 ASSUMPTIONS AND LIMITING CONDITIONS

5.1 General Assumptions

- 1) There would be no significant changes in the prevailing domestic and local laws, regulations, political and economic policies where the Target Company is operated.
- 2) The Target Company is as a going concern, and all associated assets is to serve in the present location and in the prevailing way.
- 3) There would be no significant changes in the prevailing interest rates, exchange rates, tax bases and rates, policy-related charges in the near future.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

- 4) There would be no force majeure or unforeseeable factors that may have a material adverse impact on the valuation conclusions.

5.2 Specific Assumptions and Limiting Conditions

- 1) The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business.
- 2) The present and future management is responsible and shall act smoothly to achieve their business plan.
- 3) The management of the Target Company shall comply with relevant domestic laws and regulations and shall not conduct significant infractions that may influence their business or realization of the expected returns.
- 4) The associated assets were purchased, obtained, constructed or developed in compliance with relevant domestic laws and regulations.
- 5) There were no significant technical faults in the tangible assets of the Target Company that may affect their future service or hazardous substances or adverse environmental conditions that may affect their market values.
- 6) We have conducted the visual inspection on the physical appearance of the subject assets during the valuation, instead of any specific inspections on their technical data, physical condition, structure or concealed work.

In the event of any discrepancy arisen out of the physical truth and the above assumptions in the future, the conclusions hereinafter shall be influenced accordingly. The intended user(s) of this Report shall take fully account of the potential impact of these assumptions on the Conclusions.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

SECTION 6 CONCLUSIONS

Both the income approach and the market approach were conducted in this analysis, and the result derived from the former was adopted as follows:

As of the effective date of valuation on December 31st 2014, under the purpose of valuation, assumptions, limiting conditions and special issues stated hereby, the market value of the Equity Interest of the Target Company is RMB853.00 million.

The sensitivity analysis of discount rate is indicated as follows:

Discount Rate	9.0%	10.0%	10.9%	11.5%	12.0%
Market Value (in million)	1,218.00	1,001.00	853.00	729.00	651.00

SECTION 7 SPECIFIC ISSUES

The special issues stated hereby shall refer to the issues, upon the determination of the valuation results that we found that may affect the Conclusions but were beyond the practice and expertise of us as follows:

1. The book value and the market value were rounded and the mantissa was unadjusted.
2. The market value arrived was based on the projections provided by the client and may vary in the event of the possible differences between the projections and the physical truth.
3. The traffic, revenue and cost forecasts associated in this valuation were subject to “*Yangping Expressway in Guangxi Province Operation and Maintenance Cost Estimation Study Report*” and “*Yangping Expressway in Guangxi Province Traffic and Revenue Forecast Study Report*” issued by THI Asia Consultants Limited on April 16th 2015 and submitted by the client.
4. The market value of the subject assets were based on the assumption of their legal title perfection.

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

5. Any potential charges regarding the registration of legal title change were not considered in this valuation.
6. The conclusions hereby indicate the practical market value of the subject assets particularly under the purpose of valuation, assumptions and limiting conditions stated in this Report. The conclusions shall retire in the event of changing the aforementioned assumptions and limiting conditions.
7. Neither the valuers nor Zhonghe Appraisal Co., Ltd. shall take responsibility for any defective issue that may exist and have impacts on valuation conclusions inasmuch as the valuers have enquired in vain for any such information that should be explained prior to the engagement but failed to obtain after their performance of due procedures.
8. No sales by auction or forced sale of pledged securities or collaterals in the future has been considered in this valuation, nor has any additional price by special terms or circumstances under potential changes of ownership, force majeure, other unforeseeable factors or significant changes in domestic macroeconomic policies that may have material impacts to this valuation.
9. Following the valuation procedures, the valuers have conducted due and independent legal title inspection on the subject assets, which, however, does not imply that the valuers are providing warrant or authentication on the legal title herein. The purpose of conducting this valuation is to estimate and provide professional opinion on the market value of the Equity Interest.
10. The business license, legal title documents, declaration and projection forms submitted by the Target Company were adopted as the basis in preparation of this Report. The client, the appraised company and other concerning parties shall take responsibility for the truth, legality and completeness of the originals of the aforementioned.
11. Except for this engagement, the valuers have no existing or expected interest relationship with the concerning parties, or any bias towards them.
12. The conclusions were issued by Zhonghe Appraisal Co., Ltd. and subject to

APPENDIX F

YANGPING TARGET VALUATION REPORT



Valuation Report of Guangxi Huatong Expressway Co., Ltd.

the competency and professional skills of the valuers.

The intended user(s) shall take into account of the influence derived from the above special issues on the conclusions.

SECTION 8 LIMITATIONS OF USE

1. The conclusions shall be subject to the precondition of going concern.
2. This Report shall serve for the exclusive purpose of valuation and use stated herein.
3. This Report shall serve for the exclusive user(s) stated herein.
4. This Report shall validate exclusively when signed and sealed by the valuers and Zhonghe Appraisal Co., Ltd.
5. Any excerption, citation or disclosure of this Report to the public shall be firstly reviewed or consented by Zhonghe Appraisal Co., Ltd., except as may be required by laws, regulations or agreed between the concerning parties.
6. The expiry date of conclusions shall be one (1) year after the effective date of valuation, or, the conclusions shall retire after December 30th 2015.
7. This Report shall validate exclusively when using as a whole. Zhonghe Appraisal Co., Ltd. shall not take responsibility for any possible loss that results from the partial use of this Report.

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APPENDIX F

YANGPING TARGET VALUATION REPORT

 中和资产评估有限公司
ZhongHe Appraisal Co., Ltd.

Valuation Report of Guangxi Huatong Expressway Co., Ltd.

SIGNATURE AND BIOGRAPHY

Valuer:



Chengjun Wang, PhD., *CPV, FCPV, FRICS, ASA, FCPA*

Vice Chairman, Partner

Valuer:



Jianguo Qian, *CPV*

Partner

Valuer:



Qili Zhang, *CPV*

Manager

Zhonghe Appraisal Co., Ltd.

May 20th 2015

Address: Floor 13, Building A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 9
Postal Code: 100027 Tel.: (010) 58383636 Fax: (010) 65547182

NOTICE OF EXTRAORDINARY GENERAL MEETING

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198101278D

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Merchants Holdings (Pacific) Limited (the “**Company**”) will be held at Conrad Centennial Singapore, North Ballroom, Level 2, Two Temasek Boulevard, Singapore 038982 on 14 September 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions which will be proposed as Ordinary Resolutions:

ORDINARY RESOLUTION 1

Approval for the Acquisition of Guangxi Guixing Expressway Investment and Construction Co., Ltd.

That:

- (a) the entry by the Company’s direct wholly-owned subsidiary, Xinan Guixing Expressway Pte. Ltd. (“**Guixing SPV**”), into the conditional share purchase agreement dated 23 June 2015 (the “**Guixing SPA**”) with Guangxi Guizheng Expressway Investment and Construction Co., Ltd. (广西桂政高速公路投资建设有限公司) (“**Guangxi Guizheng**”), Beihai Guizheng Construction Engineering Co., Ltd. (北海桂政建筑工程有限公司) (“**Guizheng Construction**”, and together with Guangxi Guizheng, the “**Guixing Sellers**”) and Guangxi Guixing Expressway Investment and Construction Co., Ltd. (广西桂兴高速公路投资建设有限公司) (the “**Guixing Target**”) (as supplemented by a supplemental agreement dated 23 June 2015 between the same parties), in connection with, *inter alia*, the proposed acquisition (the “**Guixing Acquisition**”) by Guixing SPV of all the issued shares in the capital of the Guixing Target held by the Guixing Sellers, be and is hereby approved, confirmed and ratified;
- (b) the Guixing Acquisition and all other transactions contemplated by the Guixing SPA be and are hereby approved, in each case on the terms and conditions of the Guixing SPA; and
- (c) the Directors of the Company (the “**Directors**”) and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required under or pursuant to the Guixing SPA and/or the Guixing Acquisition and to make such amendments thereto as the Directors may consider necessary, desirable or expedient) in connection with the Guixing Acquisition and/or the Guixing SPA and all other transactions contemplated by the Guixing SPA as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution 1 as they or he may deem fit.

ORDINARY RESOLUTION 2

Approval for the Acquisition of Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd.

That:

- (a) the entry by the Company’s direct wholly-owned subsidiary, Xinan Guiyang Expressway Pte. Ltd. (“**Guiyang SPV**”), into the conditional share purchase agreement dated 23 June 2015 (the “**Guiyang SPA**”) with Guangxi Guizheng, Guizheng Construction, Beihai Guizheng Industrial Co., Ltd. (北海桂政实业有限公司) (together with Guangxi Guizheng and Guizheng Construction, the “**Guiyang Sellers**”) and Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. (广西桂梧高速公路桂阳段投资建设有限公司) (the “**Guiyang Target**”) (as supplemented by a supplemental agreement dated 23 June 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

between the same parties), in connection with, *inter alia*, the proposed acquisition (the **“Guiyang Acquisition”**) by Guiyang SPV of all the issued shares in the capital of the Guiyang Target held by the Guiyang Sellers, be and is hereby approved, confirmed and ratified;

- (b) the Guiyang Acquisition and all other transactions contemplated by the Guiyang SPA be and are hereby approved, in each case on the terms and conditions of the Guiyang SPA; and
- (c) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required under or pursuant to the Guiyang SPA and/or the Guiyang Acquisition and to make such amendments thereto as the Directors may consider necessary, desirable or expedient) in connection with the Guiyang Acquisition and/or the Guiyang SPA and all other transactions contemplated by the Guiyang SPA as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution 2 as they or he may deem fit.

ORDINARY RESOLUTION 3

Approval for the Acquisition of Guangxi Huatong Expressway Co., Ltd.

That:

- (a) the entry by the Company’s direct wholly-owned subsidiary, Xinan Yangping Expressway Pte. Ltd. (**“Yangping SPV”**), into the conditional share purchase agreement dated 23 June 2015 (the **“Yangping SPA”**) with Shenzhen Yitian Group Co., Ltd. (深圳市益田集团股份有限公司) (**“Shenzhen Yitian”**), Shenzhen Ruiwo Yilai Real Estate Development Co., Ltd. (深圳市瑞沃亿来房地产开发有限公司) (together with Shenzhen Yitian, the **“Yangping Sellers”**) and Guangxi Huatong Expressway Co., Ltd. (广西华通高速公路有限责任公司) (the **“Yangping Target”**), in connection with, *inter alia*, the proposed acquisition (the **“Yangping Acquisition”**) by Yangping SPV of all the issued shares in the capital of the Yangping Target held by the Yangping Sellers, be and is hereby approved, confirmed and ratified;
- (b) the Yangping Acquisition and all other transactions contemplated by the Yangping SPA be and are hereby approved, in each case on the terms and conditions of the Yangping SPA; and
- (c) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required under or pursuant to the Yangping SPA and/or the Yangping Acquisition and to make such amendments thereto as the Directors may consider necessary, desirable or expedient) in connection with the Yangping Acquisition and/or the Yangping SPA and all other transactions contemplated by the Yangping SPA as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution 3 as they or he may deem fit.

BY ORDER OF THE BOARD

Lim Lay Hoon
Lynn Wan Tiew Leng
Company Secretaries
Singapore, 28 August 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy but not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The instrument appointing a proxy must be lodged at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.

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CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198101278D

IMPORTANT:

1. For investors who have used their CPF monies to buy CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

EXTRAORDINARY GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a member/members of China Merchants Holdings (Pacific) Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at Conrad Centennial Singapore, North Ballroom, Level 2, Two Temasek Boulevard, Singapore 038982 on 14 September 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions as set out in the Notice of EGM. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, my/our proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with an "X" within the box provided.)

	For	Against
Ordinary Resolution 1 Approval for the Acquisition of Guangxi Guixing Expressway Investment and Construction Co., Ltd.		
Ordinary Resolution 2 Approval for the Acquisition of Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd.		
Ordinary Resolution 3 Approval for the Acquisition of Guangxi Huatong Expressway Co., Ltd.		

Dated this _____ day of _____ 2015.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)/Common Seal of
Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of ordinary shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be treated as an alternative to the first named unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified true copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being an appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

