

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198101278D

ANNOUNCEMENT

PROPOSED AWARD OF ROAD AND BRIDGE UPGRADING CONTRACT IN RELATION TO NINGBO BEILUN PORT EXPRESSWAY (DAQI-XIWU SECTION)

1. INTRODUCTION

The Board of Directors of China Merchants Holdings (Pacific) Limited (“**CMHP**” or “**Company**”) wishes to announce that its indirect wholly-owned subsidiary, Ningbo Beilun Port Expressway Co., Ltd (“**Beilun Port Expressway Co.**”), following a public tender process, intends to award a major road and bridge upgrading contract in relation to the Ningbo Beilun Port Expressway (Daqi-Xiwu Section) (“**Beilun Port Expressway**”) to Chongqing Zhixiang Paving Technology Engineering Co., Ltd (“**CZPT**”) (“**Proposed Transaction**”). CZPT is an indirect wholly-owned subsidiary of China Merchants Group Limited (“**CMG**”), the ultimate holding company of the Company.

2. INFORMATION ON BEILUN PORT EXPRESSWAY CO AND THE TENDER PROCESS

2.1 **Beilun Port Expressway Co.** Beilun Port Expressway Co owns the rights to operate the Beilun Port Expressway, an expressway located in Zhejiang Province, People’s Republic of China (“**PRC**”). Beilun Port Expressway Co is a wholly-owned subsidiary of Beilun (Hong Kong) Investments Limited, which in turn is a wholly-owned subsidiary of the Company.

2.2 **Tender Process.** Beilun Port Expressway Co called a public tender in relation to the proposed major road and bridge upgrading works on the Beilun Port Expressway (“**Upgrading Works**”) and appointed CHELBI Engineering Consultants, Inc. (“**Agent**”) as the tender agent.

The Agent, founded in 1984, is one of the earliest engineering joint ventures and now ranks among PRC’s largest engineering consulting joint ventures. Since its founding, the Agent has provided bidding consulting services for engineering projects, and was the first to obtain the “Class A Bidding Agent Qualification” issued by the PRC Ministry of Construction. To date, the Agent has provided international and domestic bidding agency and consulting services for 600 highway projects with a total value of nearly RMB700 billion and a total highway length of approximately 10,000 km in 30 provinces and municipalities throughout PRC. None of the directors and/or controlling or substantial shareholders of the Company and/or their respective associates, have any interest, direct or indirect, in the Agent.

On 30 April 2014, the Agent, on behalf of Beilun Port Expressway Co, published a public tender notice on the following: PRC websites www.chinabidding.com.cn (中国采购与招标网), www.zjt.gov.cn (浙江交通网), and www.cnnb.com.cn (中国宁波网), inviting suitably qualified or experienced contractors to submit tenders for the road and bridge upgrading contract (“**Tender**”). The Tender was officially called on 6 May 2014 and closed at 9.00 am (Beijing

time) on 24 May 2014. Five bids were received during the Tender period. The prices of the bids submitted by the five separate bidding entities (including CZPT) were as follows:

No.	Name	Bid Price (RMB)
1	重庆市智翔铺道技术工程有限公司(CZPT)	239,135,704
2	浙江省交通工程建设集团有限公司	239,135,716
3	重庆交通建设（集团）有限责任公司	239,135,704
4	攀枝花公路建设有限公司	239,135,704
5	宁波交通工程建设集团有限公司	239,135,703

Each of the above bids was assessed by a tender evaluation committee (“**Committee**”). The Committee comprised five members, all of whom are independent experts selected by the Agent according to the law of the PRC on Tenders and Bids. The assessments were carried out in strict confidence based on the law of the PRC on Tenders and Bids and the purchasing and bidding policy issued by Beilun Port Expressway Co. Each bidder was given an overall score by the Committee and the winning bid was the one which achieved the highest score. The scoring system utilised by the Committee comprised the following two criteria:

- (i) One, the construction plan and design, which gave a maximum score of 40 points.
- (ii) Two, the price of the bid submitted by the bidder, which gave a maximum score of 60 points using the following scoring system:
 - (a) If the submitted bid price was between 95 per cent. to 100 per cent. (inclusive) of the maximum bid price of RMB 251,721,793 (“**Maximum Bid Price**”), between 30 to 60 points would be awarded to the bidder based on the following formula:

$$N_i = 60 - \{120 \times [10 \times (A_i / A) - 9.5]^2\}$$

Where:

N_i = points awarded

A_i = submitted bid price

A = Maximum Bid Price
 - (b) If the submitted bid price was below 95 per cent. of the Maximum Bid Price, 30 points would be awarded to the bidder. This also meant that each and every bid price below 95 per cent. of the Maximum Bid Price would be awarded the same number of points (30 points).

- (c) If the submitted bid price was more than 100 per cent. of the Maximum Bid Price, the bid would be rejected.

The Company understands that the Maximum Bid Price was set by the Agent to prevent potential bidders from disturbing the order of the Tender process through the submission of unreasonably priced bids.

Based the overall score given to each bid, the recommendation of the Committee was as follows:

No.	Name	Price (RMB)	Overall Score	Recommendation
1	重庆市智翔铺道技术工程有限公司 (CZPT)	239,135,704	95.28	First place
2	浙江省交通工程建设集团有限公司	239,135,716	90.48	Second place
3	重庆交通建设（集团）有限责任公司	239,135,704	85.34	Third place

Following the results of the Tender and upon the recommendation of the Committee, Beilun Port Expressway Co intends to award the road and bridge upgrading contract to CZPT.

3. TERMS OF THE PROPOSED TRANSACTION

The Company intends to enter into the Proposed Transaction with CZPT on the following terms:

- 3.1 **Contract Price.** The contract price of RMB239,135,704 for the Proposed Transaction (the “**Contract Price**”) was arrived at on an arm’s length basis based on, *inter alia*, (i) the results of the Tender and the recommendation of the Committee, and (ii) the bill of quantities and respective unit prices for each work item in respect of the Upgrading Works.
- 3.2 **Payment.** The Contract Price is payable by Beilun Port Expressway Co to CZPT in tranches at fixed milestones during the Upgrading Works. The Upgrading Works will be performed over a period of 18 months by CZPT.

4. RATIONALE AND BENEFIT

Beilun Port Expressway Co intends to enter into the contract for the Upgrading Works in order to carry out necessary maintenance and upgrading works for the roads and bridges along the Beilun Port Expressway. As stated in paragraph 2.2 above, in accordance with the results of the Tender and upon the recommendation of the Committee, Beilun Port Expressway Co intends to award the said contract to CZPT.

5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The Proposed Transaction is not expected to have a material impact on CMHP’s earnings per share nor their net tangible assets per share for the current financial year ending 31 December 2014.

6. INTERESTED PERSON TRANSACTION

- 6.1 **CZPT.** CZPT is a professional road engineering technology company which owns several industry qualifications, such as general contract for municipal public engineering and road engineering, professional contract for highway pavement engineering and building waterproofing engineering, and the certification of quality, safety, environmental management system.

CZPT is a wholly-owned subsidiary of China Merchants Chongqing Communications Research and Design Institute Co., Ltd, which in turn is a wholly-owned subsidiary of CMG. As at the date of this Announcement, CMG is deemed to be interested in 592,614,000 shares in the Company, representing approximately 79.45 per cent. of the issued share capital of CMHP, held by its indirect wholly-owned subsidiary, Easton Overseas Limited ("**Easton**"). CMG is therefore considered a controlling shareholder of the Company and CZPT is an associate of CMG. Accordingly, the Proposed Transaction is an interested person transaction for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

- 6.2 **Market Capitalization Test.** Based on the audited consolidated financial statements of CMHP and its subsidiaries ("**CMHP Group**") for the financial year ended 31 December 2013, as at 31 December 2013, the net tangible assets ("**NTA**") of the CMHP Group is negative HK\$888,274,000 (before any conversion of the Convertible Bonds¹ and assuming the 135,781,000 redeemable convertible preference shares of the Company held by Easton are converted). Further to representations and submissions made to the SGX-ST, the SGX-ST had on 8 May 2013 issued a confirmation that the Company may determine the materiality of its interested person transactions for the purposes of Rules 905 and 906 of the Listing Manual of the SGX-ST ("**Listing Manual**") based on its market capitalisation as at the end of the preceding financial year for so long as its NTA remains negative.

Consequently, as the value of the Proposed Transaction is RMB239,135,704 or approximately 7.5 per cent. of the market capitalisation of CMHP as at 31 December 2013, the Proposed Transaction therefore has a value in excess of five per cent. of the market capitalisation of CMHP as at 31 December 2013, and is an interested person transaction which, unless an exception under Chapter 9 of the Listing Manual is applicable to the Proposed Transaction, would have been subject to the approval of shareholders at an extraordinary general meeting of the Company pursuant to Rule 906(1)(a) of the Listing Manual.

As at the date of this Announcement, the Company has not entered into any transactions (excluding transactions less than S\$100,000) with CZPT and there were no interested person transactions (excluding transactions less than S\$100,000) conducted during the financial year ending 31 December 2014.²

¹ Being the aggregate principal amount of HK\$1,163,000,000 1.25 per cent. convertible bonds (credit enhanced until 2015) issued by the Company on 6 November 2012.

² This excludes the disposal by the Company to China Merchants Properties Development Limited of (a) the entire issued ordinary share capital of China Merchants Pacific (NZ) Limited ("**CMP(NZ)**") and (b) the shareholder's loan made by the Company to CMP(NZ) (as reflected in the unaudited management accounts of CMP(NZ) as at 31 March 2013) at a total consideration of NZ\$55,520,300. The said transaction was entered into by the Company on 27 September 2013 and completed on 16 April 2014.

6.3 **Rule 916(4) of the Listing Manual.** Rule 916(4) of the Listing Manual provides that the award of a contract by way of public tender to an interested person is not required to comply with Rule 906 of the Listing Manual (i.e. the requirement to obtain shareholders' approval) if:

- (i) the awarder entity at risk announces the following information: (a) prices of all bids submitted; and (b) an explanation of the basis for the selection of the winning bid; and
- (ii) both the listed bidder (or if the bidder is unlisted, its parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

Further to representations and submissions made to the SGX-ST, the SGX-ST had on 17 July 2014 issued a confirmation that the SGX-ST has no objection to the application of Rule 916(4) of the Listing Manual in relation to shareholders' approval to the Proposed Transaction. Accordingly, the Company is not required to obtain the said shareholders' approval. However, the foregoing confirmation by the SGX-ST is subject to:

- (a) the Company releasing an announcement pursuant to Rule 916(4) of the Listing Manual stating the prices of all bids submitted in response to the tender process and providing an explanation of the basis for selection of the winning bid. The said prices and explanation are set out in paragraph 2.2 of this Announcement;
- (b) the Company confirming, and the Company hereby confirms, that CZPT and the Company have boards where all directors are different and are not accustomed to act on the instructions of CZPT, being the interested person or its associates; and
- (c) the Company disclosing details of the independence of the tender process, the agent and committee for the tender evaluation in its announcement made under the requirements of Rule 917 of the Listing Manual. The said disclosures are set out in paragraph 2.2 of this Announcement.

6.4 **Audit Committee.** The Audit Committee (save for Mr Zheng Hai Jun abstaining for the reasons set out in paragraph 7.2 of this Announcement) is of the view that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

7. FURTHER INFORMATION

7.1 **Directors' Service Contracts.** No person is proposed to be appointed as a Director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7.2 **Interests of Directors and Controlling Shareholders of the Company.** Save as disclosed below and in paragraph 6.1 of this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction. As at the date of this Announcement, CMG is deemed to be interested in 592,614,000 shares in the Company, representing approximately 79.45 per cent. of the issued share capital of

CMHP, held by its indirect wholly-owned subsidiary, Easton. CMG is therefore considered the controlling and a substantial shareholder of the Company.

The Vice Chairman of the Company, Mr Zheng Hai Jun, is the Executive Deputy General Manager of China Merchants Hua Jian Highway Investment Co., Ltd (“**Hua Jian**”), a wholly-owned subsidiary of CMG. Accordingly, Mr Zheng Hai Jun (in his capacity as a member of the Audit Committee) has abstained from making any recommendation on the Proposed Transaction to the shareholders of the Company.

In addition to the above:

- (a) Mr Luo Hui Lai, the Executive Chairman and Chief Executive Officer of the Company, is the Managing Director of Hua Jian;
- (b) Mr Jiang Yan Fei, the Vice Chairman, General Manager and Chief Operating Officer of the Company who holds 340,000 ordinary shares in the capital of the Company, is the Executive Deputy General Manager of Hua Jian; and
- (c) Ms Shi Xiu Li, the Executive Director of the Company, is a senior officer of Hua Jian, without any executive responsibilities.

7.3 Documents for Inspection. A copy of the form of the contracts to be entered into between Beilun Port Expressway Co and CZPT in relation to the Proposed Transaction is available for inspection during normal business hours at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Lim Lay Hoon
Company Secretary
Singapore, 7 August 2014