



招商局 亚太有限公司
CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

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Approval Sought

To approve the proposed acquisition (the “**Acquisition**”) by the Company of (i) the entire issued share capital of Hong Kong Honest Queen International Investment Limited (the “**Target**”) from Liu Qiang and Gong Xiaoping (collectively the “**Sellers**”) and (ii) a shareholder’s loan made by Liu Qiang to the Target (as reflected in the books of the Target as at the completion date of the Acquisition (the “**Target Shareholder’s Loan**”) and the issue of 119,374,987 new ordinary shares in the capital of the Company (the “**Consideration Shares**”) to the Sellers or their nominee at an issue price of S\$0.985 per share as part of the consideration for the Acquisition.



Transaction Overview

Proposed Acquisition	<ul style="list-style-type: none">▪ Acquisition of the entire issued share capital of the Target from the Sellers and the Target Shareholder's Loan.▪ The Target is the holding company of Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ("Jiurui Expressway Co")▪ Jiurui Expressway Co owns the rights to operate the Jiurui Expressway (Jiujiang - Ruichang Section) (the "Jiurui Expressway")
Purchase Consideration	Approximately RMB697 million (approximately HK\$879 million)
Consideration satisfied by	<ul style="list-style-type: none">▪ Issue of 119,374,987 new Shares to the Sellers at S\$0.985 per share▪ Approximately RMB117 million to be funded by internal cash resources



Consideration

**Purchase Consideration – Approximately RMB697 million
(approximately HK\$879 million)**

**Issue of 119,374,987 new
Shares to the Sellers at
S\$0.985 per Share**

Cash Consideration

Total Consideration

**Approximately
RMB580 million**



**Approximately
RMB117 million**



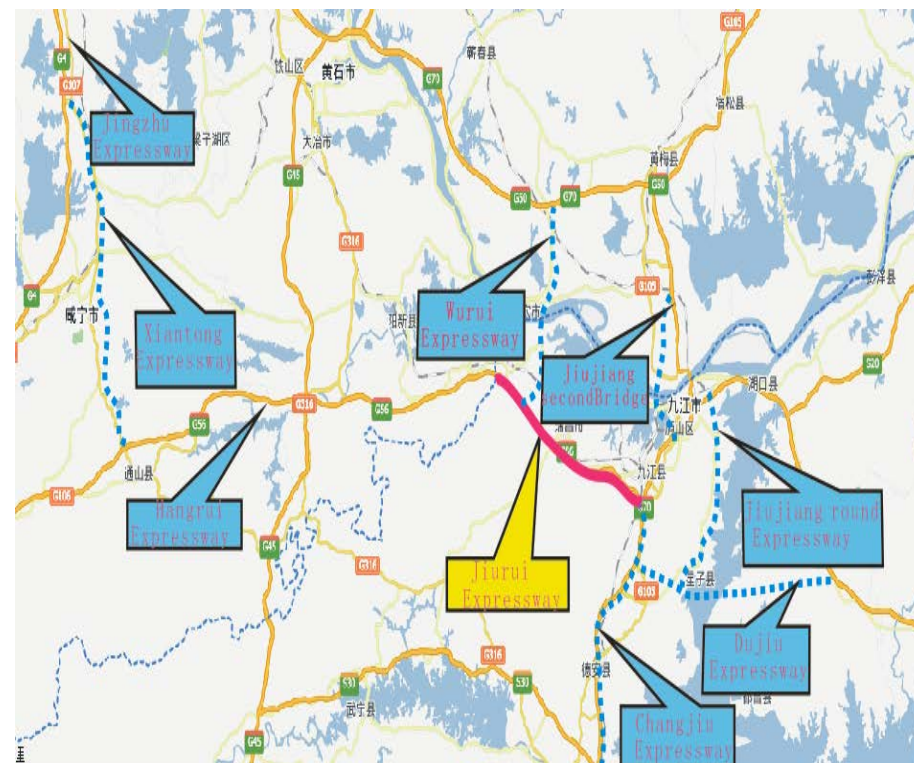
**Approximately
RMB697 million**



Background and Overview of the Jiurui Expressway

- The Jiurui Expressway is a four-lane carriageway (Dual-2) located at the east-western area of Jiujiang Municipality (九江市) connecting with Ruichang Municipality (瑞昌市) in the west of Jiangxi Province (江西省).
- The Jiurui Expressway is part of the G56 National Expressway System of China which connects Hangzhou (杭州) of Zhejiang Province (浙江省) and Ruili (瑞丽) of Yunnan Province (云南省) serving the east-west traffic demand. The Jiurui Expressway at present is the key link serving both local and external traffic demand.
- The construction of the Jiurui Expressway was completed at the end of 2010 and commenced toll collections on 1 January 2011.

Location	:	Jiurui Municipality, Jiangxi Province, PRC
No. of road sections	:	1
Length (kilometres)	:	Total 48.14 kilometres
Classification	:	Expressway
Access control	:	Restricted users (motorised goods and passengers only)
Direction / lanes	:	Two directions, 2 lanes each direction
Design speed (km/h)	:	100
Design capacity (vehicles per day)	:	62,000
Concession period (years)	:	30 years
Year of commencement	:	1 January 2011
Year of expiry	:	31 December 2040



Rationale for the Acquisition

Corporate growth strategy is to expand our business and earnings base through both organic expansion and selective acquisitions with a view to bringing long-term, strategic benefits to CMHP and its subsidiaries (the “Group”)



Complements Growth Strategy

✓The Acquisition is 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



High Quality Toll Road

✓Jiurui Expressway is a newly-opened expressway with promising growth potential in traffic flow

✓One of the key routes in Jiangxi Province, PRC and an important inter-provincial boundary crossing, passing through Jiujiang Municipality, PRC and connecting with Ruichang Municipality, PRC



Expand Geographical Coverage

✓Further diversify and enlarge CMHP’s toll road portfolio and expand its geographical coverage into the fast developing Jiangxi Province, PRC



Increase Liquidity of Shares

✓The 119,374,987 Shares to be issued to the Sellers as part of the purchase consideration represents approximately 16.0 per cent. of the current issued ordinary share capital of CMHP. This will increase the liquidity of CMHP’s shares in the market



Pro Forma Financial Effects

The pro forma financial effects of the Acquisition on the share capital, net asset value (“NAV”) per ordinary share in the capital of CMHP (“Share”), net tangible assets (“NTA”) per Share, earnings per Share (“EPS”), gearing and working capital of the Group are set out in the following slides:

Purely for illustration purposes only and do not reflect the future actual financial position of the CMHP Group post-Acquisition

Notes:

- 1) Pro forma financial effects were prepared based on, *inter alia*, the following assumptions :-
 - i. that the Acquisition had been effected on 31 December 2013 for illustrating the financial effects on the consolidated NAV, NTA, gearing and working capital of the Group;
 - ii. that the Acquisition had been effected on 1 January 2013 for illustrating the financial effects on the consolidated earnings of the Group;
 - iii. that the Company will be able to gain control of the Target and account for the Target as a wholly-owned subsidiary, with Jiurui Expressway Co in turn being a wholly-owned subsidiary of the Target; and
 - iv. the transaction costs associated with the Acquisition are assumed to be insignificant.
- 2) Please refer to the Circular dated 22 August 2014 for more details.



Share Capital

Number of Issued Shares (’000)	Assuming all RCPS ⁽¹⁾ are redeemed	Assuming all RCPS are converted
Before the Acquisition:-		
- Before any conversion of the Convertible Bonds ⁽²⁾	718,856	854,637
- Assuming full conversion of the Convertible Bonds	937,404	1,073,185
After the Acquisition:-		
- Before any conversion of the Convertible Bonds	838,231	974,012
- Assuming full conversion of the Convertible Bonds	1,056,779	1,192,560

Note:

(1) Being the 135,781,000 redeemable convertible preference shares of the Company (“RCPS”) held by Easton Overseas Limited (“Easton”), the immediate holding company of the Company.

(2) Being 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.



NAV for the financial year ended 31 December 2013 (“FY2013”)

NAV per Share ⁽³⁾ (HK\$)	Assuming all RCPS ⁽¹⁾ are redeemed	Assuming all RCPS are converted
Before the Acquisition:-		
- Before any conversion of the Convertible Bonds ⁽²⁾	6.23	5.98
- Assuming full conversion of the Convertible Bonds	5.93	5.77
After the Acquisition:-		
- Before any conversion of the Convertible Bonds	6.23	6.01
- Assuming full conversion of the Convertible Bonds	5.97	5.82

Note:

(1) Being the 135,781,000 RCPS held by Easton, the immediate holding company of the Company.

(2) Being 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.

(3) The NAV per Share for FY2013 (adjusted for redemption of all RCPS) is calculated based on the NAV of the Group as at 31 December 2013 less the redemption value of the RCPS of HK\$632,820,000 as at 31 December 2013.



NTA for FY2013

NTA per Share ⁽³⁾ (HK\$)	Assuming all RCPS ⁽¹⁾ are redeemed	Assuming all RCPS are converted
Before the Acquisition:-		
- Before any conversion of the Convertible Bonds ⁽²⁾	(2.12)	(1.04)
- Assuming full conversion of the Convertible Bonds	(0.47)	0.18
After the Acquisition:-		
- Before any conversion of the Convertible Bonds	(5.28)	(3.89)
- Assuming full conversion of the Convertible Bonds	(3.16)	(2.27)

Notes:

- (1) Being the 135,781,000 RCPS held by Easton, the immediate holding company of the Company.
- (2) Being 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.
- (3) The NTA per Share for FY2013 (adjusted for redemption of all RCPS) is calculated based on the NTA of the Group as at 31 December 2013 less the redemption value of the RCPS of HK\$632,820,000 as at 31 December 2013.
- (4) The increased negative NTA per Share post-Acquisition arose primarily as a result of the exclusion of the Group's share of intangible assets amounting to HK\$9,646,511,000 (including the share of toll operating rights of Yongtaiwen Expressway of HK\$3,422,210,000, the share of toll road operating rights of Beilun Port Expressway of HK\$2,573,897,000 and the share of toll road operating rights of Jiurui Expressway Co of HK\$3,650,404,000).



EPS for FY2013

	Before the Acquisition	After the Acquisition
Profit before tax (HK\$'000)	1,101,496	1,082,584
Net profit attributable to ordinary shareholders (HK\$'000)	607,465	570,346
Basic EPS (HK cents)	84.51	68.04
Fully diluted EPS (HK cents)	61.34	52.09

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 EPS, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and full conversion of all RCPS and the Convertible Bonds.
- (3) Expenses in connection with the Acquisition and any synergistic benefits arising from the Acquisition are assumed to be immaterial.



Gearing for FY2013

Gearing (%)	Assuming all RCPS ⁽¹⁾ are redeemed	Assuming all RCPS are converted
Before the Acquisition:-		
- Before any conversion of the Convertible Bonds ⁽²⁾	34	32
- Assuming full conversion of the Convertible Bonds	24	23
After the Acquisition:-		
- Before any conversion of the Convertible Bonds	40	38
- Assuming full conversion of the Convertible Bonds	32	30

Notes:

(1) Being the 135,781,000 RCPS held by Easton, the immediate holding company of the Company.

(2) Being 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.

(3) The Shareholders' equity and the gearing (adjusted for redemption of all RCPS) are calculated based on the redemption value of the RCPS of HK\$632,820,000.



Working Capital as at 31 December 2013

Working capital (HK\$'000)	Assuming all RCPS ⁽¹⁾ are redeemed	Assuming all RCPS are converted
Before the Acquisition:-		
- Before any conversion of the Convertible Bonds ⁽²⁾	(138,998)	493,822
- Assuming full conversion of the Convertible Bonds	(138,998)	493,822
After the Acquisition:-		
- Before any conversion of the Convertible Bonds	(1,368,198)	(735,378)
- Assuming full conversion of the Convertible Bonds	(1,368,198)	(735,378)

Notes:

(1) Being the 135,781,000 RCPS held by Easton, the immediate holding company of the Company.

(2) Being 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.

(3) The current assets and the working capital (adjusted for redemption of all the RCPS) are calculated based on the redemption value of the RCPS of HK\$632,820,000.



Directors' Recommendation

- Having considered, *inter alia*, the terms, financial effects and rationale of the Acquisition, and after discussions with the management of the Company,

the Directors:

- are of the opinion that the Acquisition is in the interests of the Company and the Shareholders; and
- recommend that Shareholders VOTE IN FAVOUR of the Ordinary Resolution relating to the Acquisition to be proposed at this EGM



Thank you

