

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198101278D)

ANNOUNCEMENT

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD. FOR AND ON BEHALF OF EASTON OVERSEAS LIMITED FOR CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

1. Introduction

The Board of Directors (the “**Board**”) of China Merchants Holdings (Pacific) Limited (the “**Company**”) wishes to refer the shareholders of the Company (the “**Shareholders**”) to the announcement dated 9 May 2016 (the “**Offer Announcement**”) made by DBS Bank Ltd. (“**DBS**”), for and on behalf of Easton Overseas Limited (the “**Offeror**”), in respect of a voluntary conditional cash offer (the “**Offer**”) for all the issued and paid-up ordinary shares in the capital of the Company (the “**Shares**”), other than those Shares owned, controlled or agreed to be acquired by the Offeror.

According to the Offer Announcement, an appropriate offer will also be made to the holders of the Convertible Bonds (as defined below) (the “**Bondholders**”) to acquire the outstanding 1.25 per cent. convertible bonds in the principal amount of HK\$150,000,000 due 6 November 2017 issued by the Company (the “**Convertible Bonds**”), other than those already owned, controlled or agreed to be acquired by the Offeror (the “**Convertible Bonds Offer**”). The Convertible Bonds Offer will be conditional upon the Offer becoming or being declared unconditional in all respects.

A copy of each of the Offer Announcement and a press release dated 9 May 2016 issued by DBS for and on behalf of the Offeror (the “**Press Release**”) is set out in the **Appendix** to this Announcement. Shareholders and Bondholders are advised to refer to the full text of the Offer Announcement for, *inter alia*, (i) information on the Offeror and (ii) principal terms and conditions of the Offer and the Convertible Bonds Offer.

2. Appointment of Independent Financial Adviser

The Board will, in connection with the Offer and the Convertible Bonds Offer, appoint an independent financial adviser (the “**IFA**”) to advise the directors of the Company (the “**Directors**”) who are considered independent for the purposes of the Offer and the Convertible Bonds Offer (the “**Independent Directors**”).

3. Offeree Circular

A circular containing the advice of the IFA and the recommendations of the Independent Directors (the “**Offeree Circular**”) will be sent to Shareholders and Bondholders within 14 days from the date of despatch of the offer document to be issued by DBS, for and on behalf of the Offeror, in connection with the Offer and the Convertible Bonds Offer.

In the meantime, Shareholders and Bondholders are advised to refrain from taking any action in relation to their Shares and Convertible Bonds which may be prejudicial to their interests and to exercise caution when dealing in the Shares and the Convertible Bonds, until they or their advisers have considered the information and the recommendations of the Independent Directors as well as the advice of the IFA which will be set out in the Offeree Circular.

4. Responsibility Statement

The Directors (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and the Press Release), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

BY ORDER OF THE BOARD

Lim Lay Hoon
Company Secretary
Singapore, 10 May 2016

APPENDIX

OFFER ANNOUNCEMENT AND PRESS RELEASE

VOLUNTARY CONDITIONAL CASH OFFER

By



DBS BANK LTD.

(Company Registration No.: 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

EASTON OVERSEAS LIMITED

(Company Registration No.: 111542)
(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

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

OFFER ANNOUNCEMENT

1. INTRODUCTION

DBS Bank Ltd. ("**DBS Bank**") wishes to announce, for and on behalf of Easton Overseas Limited (the "**Offeror**"), that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of China Merchants Holdings (Pacific) Limited (the "**Company**"), other than those Shares owned, controlled or agreed to be acquired by the Offeror (the "**Offer Shares**").

2. THE OFFER

2.1 Offer Terms

In accordance with Rule 15 of The Singapore Code on Take-overs and Mergers (the "**Code**") and subject to the terms and conditions set out in the formal offer document to be issued by DBS Bank, for and on behalf of the Offeror (the "**Offer Document**"), the Offeror will make the Offer for the Offer Shares on the following basis:

For each Offer Share: S\$1.020 in cash (the "Offer Price**").**

The Offer, when made, will be extended, on the same terms and conditions, to:

- (a) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options ("**Options**") granted under the China Merchants Holdings (Pacific) Limited Share Option Scheme 2002 (the "**Company Scheme**") prior to the close of the Offer; and

- (b) all new Shares unconditionally issued or to be issued pursuant to the valid conversion of any of the outstanding 1.25% convertible bonds in the principal amount of HK\$150,000,000 due 6 November 2017 issued by the Company ("**Convertible Bonds**") prior to the close of the Offer.

For the purposes of the Offer, the expression "**Offer Shares**" will include all such Shares.

The Offer Shares are to be acquired (i) fully paid-up, (ii) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever, and (iii) together with all rights, benefits and entitlements attached thereto as at the date of this Announcement and hereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions or return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the date of this Announcement, other than the final one-tier tax exempt dividend of 3.50 Singapore cents per Share for the financial year ended 31 December 2015 (the "**FY2015 Dividend**")).

As announced by the Company, the record date and time of the determination of entitlements to the FY2015 Dividend was 5.00 p.m. on 5 May 2016 (the "**Record Date and Time**"). For the avoidance of doubt, shareholders of the Company ("**Shareholders**") as at the Record Date and Time for the FY2015 Dividend who accept the Offer will be entitled to retain the FY2015 Dividend.

If any dividend, right and other distribution or return of capital (other than the FY2015 Dividend) is announced, declared, paid or made on or after the date of this Announcement, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, right and other distribution or return of capital.

2.2 **Conditional Offer**

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Shares (excluding any Shares held in treasury) as at the close of the Offer ("**Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue had all outstanding Convertible Bonds (other than those acquired or agreed to be acquired by the Offeror and persons acting in concert with it) and Options been validly converted or exercised (as the case may be) as at the date of such declaration.

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the Securities Industry Council of Singapore. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Further information on the Offer and the terms and conditions upon which the Offer will be made shall be set out in the Offer Document to be issued.

3. CONVERTIBLE BONDS OFFER

3.1 Convertible Bonds

Based on publicly available information, the Company has outstanding Convertible Bonds in the principal amount of HK\$150,000,000 which are convertible into new Shares based on the fixed exchange rate (the "**Fixed Exchange Rate**") as set out in the terms and conditions of the Convertible Bonds, and at the prevailing conversion price of S\$0.757 per Share as announced by the Company on 22 April 2016 (the "**Prevailing Conversion Price**").

3.2 Convertible Bonds Offer

Pursuant to Rule 19 of the Code, an appropriate offer will be made to the holders of the Convertible Bonds ("**Bondholders**") to acquire the Convertible Bonds, other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Convertible Bonds Offer**").

3.3 Terms of the Convertible Bonds Offer

- (a) The Offeror intends to make the Convertible Bonds Offer on the basis that each Bondholder validly accepting the Convertible Bonds Offer will receive cash consideration for the Convertible Bonds. The offer price for the Convertible Bonds (the "**Convertible Bonds Offer Price**") will, in accordance with Note 1(a) on Rule 19 of the Code, be a fixed "see-through" price, being the Offer Price for one (1) Offer Share multiplied by the number of Shares (rounded down to the nearest whole number) into which the relevant principal amount of Convertible Bonds may be converted.

The actual Convertible Bonds Offer Price payable to each accepting Bondholder will be determined based on the total principal amount of the Convertible Bonds that are tendered by a Bondholder pursuant to the Convertible Bonds Offer.

For purely illustrative purposes only, based on the Fixed Exchange Rate and the Prevailing Conversion Price, the Convertible Bonds Offer Price for every HK\$1,000,000 principal amount of Convertible Bonds will be S\$221,691.42 in cash.

- (b) The Convertible Bonds are to be acquired (i) fully paid-up, (ii) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever, and (iii) together with all rights, benefits and entitlements attached thereto as at the date of this Announcement and hereafter attaching thereto (including the right to receive and retain all interest, payment, right or other distribution which may be announced, declared, paid or made thereon by the Company on or after the date of this Announcement). In the event any interest, payment, right or other distribution is announced, declared, paid or made on the Convertible Bonds on or after the date of this Announcement, the Offeror reserves the right to reduce the Convertible Bonds Offer Price by the amount of such interest, payment, right or other distribution.
- (c) The Convertible Bonds Offer will be conditional upon the Offer becoming or being declared unconditional in all respects.
- (d) Further details of the Convertible Bonds Offer will be set out in the Offer Document.

4. OPTIONS

- 4.1 Based on publicly available information, there are outstanding Options granted under the Company Scheme. Under the rules of the Company Scheme, the Options are not freely transferable by the holders (the "**Optionholders**") thereof. In view of this restriction, the Offeror will not make an offer to acquire the Options in connection with the Offer (although, as stated above, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Options prior to the close of the Offer). Instead, DBS Bank will, on behalf of the Offeror, make a proposal (the "**Options Proposal**") to the Optionholders on the following terms, that subject to:

- (a) the Offer becoming or being declared unconditional in all respects; and
- (b) the relevant Options continuing to be exercisable into new Shares,

the Offeror will pay to such Optionholders a cash amount (determined as provided below) (the "**Option Price**") in consideration of such Optionholders agreeing:

- (i) not to exercise any of such Options into new Shares; and
- (ii) not to exercise any of their rights as Optionholders,

in each case from the date of their acceptance of the Options Proposal to the respective dates of expiry of such Options. Further, if the Offer becomes or is declared unconditional in all respects, Optionholders who have accepted the Options Proposal will also be required to surrender their relevant Options for cancellation. If the Offer lapses or is withdrawn or if the relevant Options cease to be exercisable into new Shares, the Options Proposal will lapse accordingly.

- 4.2 The Option Price is computed on a "see-through" basis. In other words, the Option Price in relation to any Option is the amount of the excess of the Offer Price over the exercise price of that Option. If however the exercise price of an Option is equal to or more than the Offer Price, the Option Price for each Option will be the nominal amount of S\$0.001.
- 4.3 Details of the Options Proposal will be despatched to Optionholders no later than the date of despatch of the Offer Document.

5. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Based on publicly available information, the Company does not have any redeemable convertible preference shares.

6. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

6.1 The Offeror

The Offeror is an investment holding company incorporated under the laws of the British Virgin Islands on 8 March 1994. Prior to the making of this Announcement:

- (a) the Offeror has an authorised capital of 50,000 shares with a par value of US\$1.00 for each share, and an issued and paid-up share capital of US\$1.00, consisting of one (1) ordinary share;

- (b) the Offeror is a wholly-owned subsidiary of Cornerstone Holdings Limited ("**Cornerstone**"), which is in turn a wholly-owned subsidiary of China Merchants Huajian Highway Investment Co., Ltd ("**CM Highway**"), and CM Highway is wholly-owned by China Merchants Group Limited ("**CMG**"); and
- (c) Cornerstone is the sole director of the Offeror.

6.2 **CMG and CM Highway**

CMG is a leading state-owned conglomerate based in Hong Kong under the direct supervision of the state-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (the "**PRC**"). The business of CMG comprises three (3) core business sectors – Transportation, Finance, and Property.

CM Highway has been incorporated since 1993 and is a key infrastructure operator of CMG's transportation sector and manages CMG's investment in the Company. CM Highway's key business is in the investment, development, construction and management of roads, bridges, water transport, port and other transportation infrastructure and related projects. Prior to the making of this Announcement, CM Highway has investments in 18 toll road operators, including holding shares in 12 listed companies in the PRC and the Company in Singapore. Prior to the making of this Announcement, the board of directors of CM Highway comprises the following individuals:

- (a) Mr. Li Xiao Peng;
- (b) Mr. Deng Ren Jie;
- (c) Mr. Wang Hong;
- (d) Mr. Luo Hui Lai; and
- (e) Mr. Hua Li.

7. **INFORMATION ON THE COMPANY**

- 7.1 Based on publicly available information, the Company was incorporated under the laws of Singapore on 27 March 1981 and was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 17 August 1981.
- 7.2 According to publicly available information, the Company was transformed into a toll road player following the acquisition of equity interests in five (5) toll roads in the PRC on 30 December 2004. Currently, the Company invests in and operates eight (8) toll roads in the PRC, with such toll roads located in Zhejiang province, Jiangxi province, Guangxi Zhuang Autonomous Region and Guizhou province in the PRC.
- 7.3 Prior to the making of this Announcement, based on publicly available information:
 - (a) the issued and paid-up share capital of the Company comprises 1,794,524,100 Shares, and the Company does not hold any treasury shares; and
 - (b) the directors of the Company are:
 - (i) Mr. Luo Hui Lai (Executive Chairman and Chief Executive Officer);

- (ii) Mr. Zheng Hai Jun (Non-executive Vice Chairman);
- (iii) Mr. Jiang Yan Fei (Vice Chairman, General Manager and Chief Operating Officer);
- (iv) Mr. Wang Xiu Feng (Non-executive Director);
- (v) Dr Lim Heng Kow (Lead Independent Director); and
- (vi) Dr Hong Hai (Independent Director).

8. RATIONALE FOR THE OFFER AND THE CONVERTIBLE BONDS OFFER

8.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume¹ of approximately 656,438 Shares, 558,163 Shares and 597,546 Shares during the one (1)-month period, three (3)-month period and six (6)-month period up to and including 5 May 2016, being the last full trading day of the Company prior to the making of this Announcement (the "**Last Trading Day**"). Each of these represents less than 0.05% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices.

8.2 Offer Price at a Significant Premium to the Last Transaction Share Price

The Offer Price represents a premium of approximately 22.9% over the last transacted price per Share of S\$0.830 on 5 May 2016, being the Last Trading Day.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 21.9%, 25.5% and 20.1% over the volume weighted average price ("**VWAP**") per Share for the one (1)-month, three (3)-month and six (6)-month periods, respectively.

Amidst the challenging market conditions, the Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a significant premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

8.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"). The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources, and facilitate the implementation of any operational change.

¹ Calculated by using the total volume of Shares traded divided by the number of Market Days² with respect to the one (1)-month period, three (3)-month period and six (6)-month period up to and including the Last Trading Day.

² A day on which the SGX-ST is open for the trading of securities.

8.4 Compliance Cost of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.

9. FINANCIAL EVALUATION OF THE OFFER

The Offer Price is 1.07 times the net asset value per Share³ of the Company.

The Offer Price represents the following premiums over the historical traded prices of the Shares:

Description	Share Price (S\$) ⁽¹⁾	Premium over Share Price (%) ⁽²⁾
Last transacted price per Share on the Last Trading Day	0.830	22.9
VWAP per Share for the one (1)-month period up to and including the Last Trading Day	0.837	21.9
VWAP per Share for the three (3)-month period up to and including the Last Trading Day	0.813	25.5
VWAP per Share for the six (6)-month period up to and including the Last Trading Day	0.849	20.1

Note:

- (1) The figures set out in the table above are based on data extracted from Bloomberg L.P. on 5 May 2016. The last transacted price per Share before the share suspension on 6 May 2016 was S\$0.850.
- (2) Computed based on the share prices which were rounded to the nearest three (3) decimal places.

10. LISTING STATUS AND COMPULSORY ACQUISITION

10.1 Listing Status and Offeror's Intention

Pursuant to Rule 1105 of the listing manual of the SGX-ST (the "**Listing Manual**"), upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing

³ Computed based on the net asset value per Share of S\$0.953 as of 31 March 2016 at an exchange rate of S\$1: HK\$5.7118 and rounded to the nearest three (3) decimal places.

Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

10.2 **Compulsory Acquisition**

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held by the Company as treasury shares), the Offeror will be entitled to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total Shares, Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price.

In addition, as the relevant provisions of the Companies (Amendment) Act 2014 have come into force, Section 215 of the Companies Act is now extended to include "units of shares", including without limitation, the Convertible Bonds. Accordingly, if the Offeror acquires not less than 90% of the total Convertible Bonds (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Convertible Bonds Offer), the Offeror will be entitled to compulsorily acquire all the Convertible Bonds of the Bondholders who have not accepted the Convertible Bonds Offer (the "**Dissenting Convertible Bondholders**") at a price equal to the Convertible Bonds Offer Price.

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Convertible Bonds which, together with the Convertible Bonds held by it, its related corporations and their respective nominees, comprise 90% or more of the total Convertible Bonds, Dissenting Convertible Bondholders will have a right to require the Offeror to acquire their Convertible Bonds at the Convertible Bonds Offer Price.

10.3 **The Offeror does not intend to maintain the present listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total number of issued Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.**

11. **CONFIRMATION OF FINANCIAL RESOURCES**

DBS Bank, as financial adviser to the Offeror in connection with the Offer and the Convertible Bonds Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer on the basis of the Offer Price and full acceptances of the Convertible Bonds Offer on the basis of the Convertible Bonds Offer Price.

12. OFFER DOCUMENT

The Offer Document setting out the full terms and conditions of the Offer and the Convertible Bonds Offer and enclosing the relevant form(s) of acceptance will be despatched to Shareholders and Bondholders not earlier than 14 days and not later than 21 days from the date of this Announcement.

In the meantime, Shareholders and Bondholders are advised to exercise caution and seek appropriate independent professional advice when dealing in their Shares and Convertible Bonds, pending receipt of the Offer Document.

13. DISCLOSURE OF HOLDINGS IN COMPANY SECURITIES

13.1 Prior to the making of this Announcement, save as set out in Appendix 1 to this Announcement, none of (a) the Offeror and its sole director, (b) Cornerstone and its directors, and (c) DBS Bank (collectively, the "**Relevant Persons**") owns, controls or has agreed to acquire any (i) Shares; (ii) securities which carry voting rights in the Company; or (iii) convertible securities, warrants, options or derivatives in respect of such Shares or securities (collectively, the "**Company Securities**").

13.2 Prior to the making of this Announcement, none of the Relevant Persons:

- (a) has received any irrevocable commitment from any person to accept the Offer;
- (b) has entered into any arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Offer; and
- (c) has, in respect of any Company Securities:
 - (i) granted any security interest to another person, whether through a charge, pledge or otherwise;
 - (ii) borrowed from another person (excluding borrowed securities which have been on-lent or sold); or
 - (iii) lent to another person.

13.3 In the interest of confidentiality, the Offeror has not made enquiries in respect of certain other persons who are or may be deemed to be acting in concert with it in connection with the Offer. Further enquiries will be made of such persons by the Offeror and the relevant disclosures, if any, will be made in the Offer Document.

14. OVERSEAS SHAREHOLDERS AND BONDHOLDERS

This Announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Announcement in any jurisdiction in contravention of applicable law. The Offer and the Convertible Bonds Offer will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer and the Convertible Bonds Offer, including details of how the Offer and the Convertible Bonds Offer may be accepted. **For the avoidance of doubt, the Offer and the Convertible Bonds Offer**

shall be open to all Shareholders and Bondholders (as the case may be), including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Announcement and any formal documentation relating to the Offer and the Convertible Bonds Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer or the Convertible Bonds Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer and the Convertible Bonds Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer or the Convertible Bonds Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

The ability of the Shareholders and/or Bondholders who are not resident in Singapore to accept the Offer and/or the Convertible Bonds Offer (as the case may be) may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in Singapore should inform themselves of, and observe, any applicable requirements.

The Offeror and DBS Bank each reserves the right to notify any matter, including the fact that the Offer and the Convertible Bonds Offer have been made, to any or all Shareholders and/or Bondholders who are not resident in Singapore by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder or Bondholder to receive or see such announcement, notice or advertisement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The sole director of the Offeror and the directors of Cornerstone (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement (other than those relating to the Company) are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the sole director of the Offeror and the directors of Cornerstone has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

The sole director of the Offeror and the directors of Cornerstone jointly and severally accept responsibility accordingly.

Issued by
DBS BANK LTD.

For and on behalf of
EASTON OVERSEAS LIMITED
9 May 2016

Any inquiries relating to this Announcement or the Offer or the Convertible Bonds Offer should be directed during office hours to:

DBS Bank Ltd.
Strategic Advisory

Tel: (65) 6682 8999

Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "shall", "should", "could", "may" and "might". These statements reflect the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders, Bondholders and investors should not place undue reliance on such forward-looking statements, and neither the Offeror nor DBS Bank undertakes any obligation to update publicly or revise any forward-looking statements.

APPENDIX 1

DETAILS OF HOLDINGS OF COMPANY SECURITIES BY THE RELEVANT PERSONS

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Easton Overseas Limited (the " Offeror ")	1,361,619,393	75.88	-	-	1,361,619,393	75.88
Cornerstone Holdings Limited (" Cornerstone ") ⁽²⁾	-	-	1,361,619,393	75.88	1,361,619,393	75.88
Jiang Yan Fei	1,617,000	0.09	-	-	1,617,000	0.09

Notes:

- (1) The percentage shareholding interest is based on the issued share capital of 1,794,524,100 Shares based on publicly available information on 6 May 2016.
- (2) The Offeror is a wholly-owned subsidiary of Cornerstone. Accordingly, Cornerstone is deemed to have an interest in the 1,361,619,393 Shares held by the Offeror.

CHINA MERCHANTS GROUP LIMITED
LAUNCHES
VOLUNTARY CONDITIONAL CASH OFFER ("OFFER")
FOR
CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED (THE "COMPANY")

Unless otherwise defined herein, all capitalised terms which are used in this press release shall have the same meanings ascribed to them in the Offer Announcement made by DBS Bank Ltd. ("DBS Bank") for and on behalf of the Easton Overseas Limited. A copy of the Offer Announcement is available on www.sqx.com.

- Offer Price: **S\$1.020** in cash. Offer Price will **not** be adjusted for the dividend to be paid on 19 May 2016
- Offer Price represents premium of:
 - ✓ approximately 22.9% over the last transacted price per Share of S\$0.830 on 5 May 2016 ("**Last Trading Day**")
 - ✓ between 20.1% and 25.5% over the one (1)-month to six (6)-month volume weighted average price per Share up to and including the Last Trading Day
- Offer will be conditional upon the 90% Acceptance Condition (as defined below) being fulfilled
- Currently, Offeror owns 75.9% of Shares
- Offeror is seeking to privatise and delist the Company

SINGAPORE, 9 May 2016 – Easton Overseas Limited (the "**Offeror**"), which is indirectly wholly-owned by China Merchants Group Limited, has launched a voluntary conditional cash offer (the "**Offer**") to acquire all the issued and paid-up ordinary shares ("**Shares**") in the share capital of the Company, other than those Shares owned, controlled or agreed to be acquired by the Offeror. An offer will also be made to the holders of the convertible bonds ("**Bondholders**") to acquire the Convertible Bonds, other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Convertible Bonds Offer**").

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Shares (excluding any Shares held in treasury) as at the close of the Offer ("**Acceptance Condition**"). Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the

Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the maximum potential issued share capital of the Company¹.

The Offeror is making the Offer with a view to delisting the Company from the Singapore Exchange Securities Trading Limited and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act (Chapter 50 of Singapore).

The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources, facilitate the implementation of any operational change, and save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.

Amidst the challenging market conditions, the Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a significant premium over the prevailing trading prices of the Shares.

The Offer Price is 1.07 times the net asset value per Share² of the Company. The Offer Price represents the following premiums over the historical traded prices of the Shares:

	Description	Share Price (S\$) ⁽¹⁾	Premium over Share Price ⁽²⁾ (%)
(a)	Last transacted price per Share on the Last Trading Day	0.830	22.9
(b)	VWAP per Share for the one (1)-month period up to and including the Last Trading Day	0.837	21.9
(c)	VWAP per Share for the three (3)-month period up to and including the Last Trading Day	0.813	25.5
(d)	VWAP per Share for the six (6)-month period up to and including the Last Trading Day	0.849	20.1

Notes:

- (1) The figures set out in the table above are based on data extracted from Bloomberg L.P. on 5 May 2016. The last transacted price per Share before the share suspension on 6 May 2016 was S\$0.850.
- (2) Computed based on the share prices which were rounded to the nearest three (3) decimal places.

The Offer Document setting out the terms and conditions of the Offer and the Convertible Bonds Offer and enclosing the relevant form(s) of acceptance will be despatched to Shareholders and Bondholders not earlier than 14 days and not later than 21 days from the Offer Announcement Date.

DBS Bank is the financial adviser to the Offeror.

¹ The "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue had all outstanding Convertible Bonds (other than those acquired or agreed to be acquired by the Offeror and persons acting in concert with it) and Options been validly converted or exercised (as the case may be) as at the date of such declaration.

² Computed based on the net asset value per Share of S\$0.953 as of 31 March 2016 at an exchange rate of SGD 1: HKD 5.7118 and rounded to the nearest three (3) decimal places.

Responsibility Statement

*The sole director of the Offeror and the directors of Cornerstone Holdings Limited ("**Cornerstone**"), (including those who may have delegated detailed supervision of this press release) have taken all reasonable care to ensure that the facts stated and opinions expressed in this press release (other than those relating to the Company) are fair and accurate and that there are no other material facts not contained in this press release, the omission of which would make any statement in this press release misleading.*

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the sole director of the Offeror and the directors of Cornerstone has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this press release.

The sole director of the Offeror and the directors of Cornerstone jointly and severally accept responsibility accordingly.

Forward-looking Statements

All statements other than statements of historical facts included in this press release are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "shall", "should", "could", "may" and "might". These statements reflect the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders, Bondholders and investors should not place undue reliance on such forward-looking statements, and neither the Offeror nor DBS Bank undertakes any obligation to update publicly or revise any forward-looking statements.

Any inquiries relating to this press release or the Offer or the Convertible Bonds Offer should be directed during office hours to:

DBS Bank Ltd.

Strategic Advisory

Tel: (65) 6682 8999