CIRCULAR DATED 13 JUNE 2016

THIS CIRCULAR IS ISSUED BY CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED (THE "COMPANY). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE AND RECOMMENDATION OF CIMB BANK BERHAD, SINGAPORE BRANCH, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

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

If you have sold or transferred all your Shares and/or Convertible Bonds (each as defined herein), you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer 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, opinions expressed or advice given 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 AND BONDHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

DBS BANK LTD.

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

for and on behalf of

EASTON OVERSEAS LIMITED

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

to acquire all the issued and paid-up ordinary shares in the share capital of the Company other than those already owned, controlled or agreed to be acquired by Easton Overseas Limited

Independent Financial Adviser to the Independent Directors

CIMB

CIMB BANK BERHAD (13491-P)

SINGAPORE BRANCH

(Incorporated in Malaysia)

SHAREHOLDERS AND BONDHOLDERS (EACH AS DEFINED HEREIN) SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AND THE CONVERTIBLE BONDS OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 27 JUNE 2016 (MONDAY), OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF EASTON OVERSEAS LIMITED.

ACCORDINGLY, SHAREHOLDERS AND BONDHOLDERS WHO WISH TO ACCEPT THE OFFER AND/OR CONVERTIBLE BONDS OFFER (AS THE CASE MAY BE) MUST DO SO BY SUCH TIME AND DATE.

CONTENTS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"1Q2016 Results"	:	The unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2016
"Acceptance Condition"	:	Shall have the meaning ascribed to it in **paragraph 2.5** of the Letter to Shareholders and Bondholders in this Circular
"Act"	:	The Companies Act, Chapter 50 of Singapore
"Auditors"	:	Mazars LLP, the auditors of the Company
"Beilun Port Expressway"	:	The Ningbo Beilun Port Expressway (Daqi-Xiwu Section), 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
"Bondholders"	:	Holders of the Convertible Bonds
"CDP"	:	The Central Depository (Pte) Limited
"CIMB Securities"	:	CIMB Securities (Singapore) Pte. Ltd.
"Circular"	:	This circular to Shareholders and Bondholders dated 13 June 2016 from the Company containing, *inter alia*, the advice and recommendation of the IFA to the Independent Directors and the recommendation of the Independent Directors in relation to the Offer and the Convertible Bonds Offer
"Clarification Announcement"	:	The clarification announcement to the Offer Announcement dated 10 May 2016 made by DBS, for and on behalf of the Offeror, relating to the terms of the Convertible Bonds Offer
"Closing Date"	:	5.30 p.m. (Singapore time) on 27 June 2016 (Monday) or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day of the lodgement of acceptances of the Offer and the Convertible Bonds Offer
"CM Highway"	:	China Merchants Huajian Highway Investment Co., Ltd
"CM Options"	:	The outstanding options granted by the Company under the Company Scheme
"CMG"	:	China Merchants Group Limited
"Code"	:	The Singapore Code on Take-overs and Mergers
"Company"	:	China Merchants Holdings (Pacific) Limited
"Company Scheme"	:	The China Merchants Holdings (Pacific) Limited Share Option Scheme 2002
"Company Securities"	:	(i) the Shares and securities which carry voting rights in the Company; and (ii) convertible securities, warrants, options and derivatives in respect of Shares or securities which carry voting rights in the Company
"Constitution"	:	The constitution of the Company
"Convertible Bonds"	:	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 Offer**"	:	The offer made by DBS, for and on behalf of the Offeror, to the Bondholders to acquire the Convertible Bonds, other than those already owned, controlled or agreed to be acquired by the Offeror, in accordance with the terms and subject to the conditions set out in the Offer Document
"**Convertible Bonds Offer Price**"	:	Shall have the meaning ascribed to it in **paragraph 3.3** of the Letter to Shareholders and Bondholders in this Circular
"**Cornerstone**"	:	Cornerstone Holdings Limited
"**CPF**"	:	The Central Provident Fund of Singapore
"**CPFIS**"	:	The Central Provident Fund Investment Scheme
"**CPFIS Investors**"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
"**DBS**"	:	DBS Bank Ltd.
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**Encumbrances**"	:	Shall have the meaning ascribed to it in **paragraph 2.2** of the Letter to Shareholders and Bondholders in this Circular
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
"**Fixed Exchange Rate**"	:	Shall have the meaning ascribed to it in **paragraph 3.1** of the Letter to Shareholders and Bondholders in this Circular
"**FY**"	:	Financial year ended or ending, as the case may be, on 31 December
"**FY2015 Dividend**"	:	The final one-tier tax exempt dividend of 3.50 Singapore cents per Share for FY2015
"**Group**"	:	The Company and its subsidiaries
"**Guangxi Expressways**"	:	(i) the Guixing Expressway – Guilin–Xing'an Expressway, 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; (ii) the Guiyang Expressway – Guilin–Yangshuo Expressway, the 67 km expressway located at the southern area of Guilin Municipality, PRC, connecting Guilin urban area with Yangshuo Country, PRC, in the north-east of Guangxi, PRC; and (iii) the Yangping Expressway – Yangshuo–Pingle Expressway, 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
"**Guilin Lingsan Expressway**"	:	the Guilin Lingsan Expressway, a 42km expressway located in the Guangxi Zhuang Autonomous Region, PRC

"**IFA**" or "**CIMB**"	:	CIMB Bank Berhad, Singapore Branch, the independent financial adviser to the Independent Directors in respect of the Offer and the Convertible Bonds Offer
"**IFA Letter**"	:	Shall have the meaning ascribed to it in **paragraph 9.1** of the Letter to Shareholders and Bondholders in this Circular
"**Independent Directors**"	:	Dr Lim Heng Kow and Dr Hong Hai, being the Directors who are considered to be independent for the purposes of the Offer and the Convertible Bonds Offer
"**Latest Practicable Date**"	:	6 June 2016, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
"**Offer**"	:	The voluntary conditional cash offer made by DBS, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such Offer may be amended, extended and revised from time to time by or on behalf of the Offeror
"**Offer Announcement**"	:	Shall have the meaning ascribed to it in **paragraph 1.1** of the Letter to Shareholders and Bondholders in this Circular
"**Offer Announcement Date**"	:	9 May 2016, being the date of the Offer Announcement
"**Offer Document**"	:	The document dated 30 May 2016 issued by DBS, for and on behalf of the Offeror, in respect of the Offer and the Convertible Bonds Offer
"**Offer Price**"	:	S$1.020 in cash for each Offer Share
"**Offer Shares**"	:	The Shares, other than those Shares already owned, controlled or agreed to be acquired by the Offeror
"**Offeror**"	:	Easton Overseas Limited
"**Offeror Securities**"	:	(i) equity share capital of the Offeror (including ordinary shares and shares of other classes in the capital of the Offeror) and securities which carry voting rights in the Offeror; and (ii) convertible securities, warrants, options and derivatives in respect of equity share capital of the Offeror (including ordinary shares and shares of other classes in the capital of the Offeror) and securities which carry voting rights in the Offeror
"**Optionholders**"	:	Holders of the CM Options
"**Options Proposal**"	:	Shall have the meaning ascribed to it in **paragraph 4.2** of the Letter to Shareholders and Bondholders in this Circular
"**Overseas Persons**"	:	Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) and/or Bondholders who are located or whose mailing addresses are outside of Singapore
"**PRC**"	:	The People's Republic of China
"**Record Date and Time**"	:	Shall have the meaning ascribed to it in **paragraph 2.2** of the Letter to Shareholders and Bondholders in this Circular
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited

"**Shareholders**"	:	Holders of Shares (including persons whose/which Shares are deposited with CDP or who/which have purchased Shares on the SGX-ST)
"**Shares**"	:	Issued and paid-up ordinary shares in the capital of the Company
"**SIC**"	:	The Securities Industry Council of Singapore
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
"**Statements of Prospects**"	:	Shall have the meaning ascribed to it in **paragraph 9.2** of **Appendix 2** to this Circular
"**Toll Road Operating Rights**"	:	The toll road operating rights of the Toll Roads currently operated by the Group
"**Toll Roads**"	:	(i) the Yongtaiwen Expressway – Wenzhou Yongtaiwen Expressway (Wenzhou Section), the 138 km expressway linking Taizhou Municipality, PRC, in the east and Fujian Province, PRC, in the west, located in Zhejiang Province, PRC; (ii) the Beilun Port Expressway; (iii) the Jiurui Expressway – Jiurui Expressway (Jiujiang-Ruichang Section), 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; (iv) the Guangxi Expressways; (v) the Guiliu Expressway – Guilin-Liuzhou Expressway, the 139 km expressway linking Guilin city, PRC, and Liuzhou city, PRC, in Guangxi Zhuang Autonomous Region, PRC; and (vi) the Guihuang Highway – the two roads in Guizhou Province comprising the 25 km Guihuang Class 1 Highway connecting Guiyang city, PRC, and Qingzhen, PRC, and the 14 km Eastgate Expressway linking Guiyang city, PRC, with the Longdongbao Guiyang Airport, PRC
"**Traffic Consultant**"	:	THI Asia Consultants Limited
"**Traffic Consultant Report**"	:	The report dated 6 June 2016 issued by the Traffic Consultant in relation to the independent traffic and revenue forecast study and operating and maintenance costs estimations on the Toll Roads, an executive summary of which is set out in **Appendix 11** to this Circular
"**Valuation Report**"	:	The valuation report dated 6 June 2016 issued by the Valuer in relation to the Toll Road Operating Rights as set out in **Appendix 10** to this Circular
"**Valuer**"	:	Greater China Appraisal Limited
"**HK$**" and "**HK cents**"	:	Hong Kong dollars and cents, being the lawful currency for the time being of Hong Kong
"**RMB**"	:	Renminbi, being the lawful currency of the PRC

"**S$**" and "**Singapore cents**"	:	Singapore dollars and cents, being the lawful currency for the time being of Singapore
"**km**"	:	kilometres
"**%**" or "**per cent.**"	:	Per centum or percentage

Acting in Concert. Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code.

Gender. 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 and *vice versa*. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Offer Document. References to "**Offer Document**" shall include the FAA and the FAT, unless the context otherwise requires.

Related Corporation. The term "**related corporation**" shall have the meaning ascribed to it in Section 6 of the Act.

Rounding. Any discrepancies in the figures included in this Circular between the amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders and/or Bondholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders (including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST) and/or Bondholders (as the case may be).

Statutes. 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 Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary. The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Act.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, respectively, unless otherwise stated.

Total Number of issued Shares. In this Circular, any reference to the total number of issued Shares is a reference to 1,794,524,100 Shares as at the Latest Practicable Date.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter, the 1Q2016 Results and related releases, the annual report for FY2015 and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter, the 1Q2016 Results and related releases, the annual report for FY2015 and the Constitution respectively.

GLOSSARY OF TECHNICAL TERMS

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

In this Circular, the words "road" and "highway" have the same meaning.

"**dual-2**"	:	Two 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 ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’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 and Bondholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

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

Board of Directors:

Mr Luo Hui Lai (*Executive Chairman & Chief Executive Officer*)
Mr Zheng Hai Jun (*Vice Chairman*)
Mr Jiang Yan Fei (*Vice Chairman, General Manager & Chief Operating Officer*)
Mr Wang Xiu Feng (*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

13 June 2016

To: Shareholders and Bondholders of China Merchants Holdings (Pacific) Limited

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD. FOR AND ON BEHALF OF THE OFFEROR

1. INTRODUCTION

1.1 **Offer Announcement.** On the Offer Announcement Date, DBS announced, for and on behalf of Easton Overseas Limited (the "**Offeror**"), that the Offeror intends to make the Offer and the Convertible Bonds Offer (the "**Offer Announcement**").

On 10 May 2016, DBS issued, for and on behalf of the Offeror, the Clarification Announcement to correct the terms of the Convertible Bonds Offer.

Copies of the Offer Announcement and the Clarification Announcement are available on the website of the SGX-ST at **www.sgx.com**.

1.2 **Offer Document.** Shareholders and Bondholders should have received by now a copy of the Offer Document issued by DBS, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer and the Convertible Bonds Offer. The principal terms and conditions of the Offer and the Convertible Bonds Offer are set out on pages 8 to 12 of the Offer Document. **Shareholders and Bondholders are advised to read the terms and conditions of the Offer and the Convertible Bonds Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at **www.sgx.com**.

1.3 **Circular.** The purpose of this Circular is to provide Shareholders and Bondholders with relevant information pertaining to the Offer and the Convertible Bonds Offer and to set out the advice and recommendation of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer and the Convertible Bonds Offer.

Shareholders and Bondholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix 1 to this Circular carefully and consider the advice and recommendation of the IFA to the Independent Directors and the recommendation of the Independent Directors before deciding whether or not to accept the Offer and/or the Convertible Bonds Offer (as the case may be).

If you are in any doubt about the Offer and/or the Convertible Bonds Offer (as the case may be), you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

As stated in the Offer Document, DBS has made, for and on behalf of the Offeror, the Offer for all the Offer Shares in accordance with Rule 15 of the Code.

2.1 Offer Price. As stated in the Offer Document, the Offer Price is:

For each Offer Share: S$1.020 in cash.

2.2 No Encumbrances. As stated in the Offer Document, the Offer Shares will 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 ("**Encumbrances**"); and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distribution and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, other than the FY2015 Dividend).

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 as at the Record Date and Time for the FY2015 Dividend who accept the Offer will be entitled to retain the FY2015 Dividend.

2.3 Adjustment for Distributions. 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 Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, right and other distribution or return of capital.

2.4 Offer Shares. As stated in the Offer Document, the Offer will be extended, on the same terms and conditions, to:

(i) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any CM Options prior to the Closing Date; and

(ii) all new Shares unconditionally issued or to be issued pursuant to the valid conversion of any of the Convertible Bonds prior to the Closing Date.

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

2.5 Conditional Offer. As stated in the Offer Document, 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 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 **not less than 90%** of the Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**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 and CM Options (other than those acquired or agreed to be acquired by the Offeror and persons acting in concert with it) been validly converted or exercised (as the case may be) as at the date of such declaration.

As stated in the Offer Document, 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 SIC. 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.

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

2.6 **Warranty.** As stated in the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (i) fully paid-up; (ii) free from Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, other than the FY2015 Dividend).

2.7 **Details of the Offer.** Further details of the Offer in relation to (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer are set out in Appendix V to the Offer Document.

2.8 **Procedures for Acceptance.** The procedures for acceptance of the Offer are set out in Appendix VI to the Offer Document.

3. THE CONVERTIBLE BONDS OFFER

3.1 **Convertible Bonds.** As at the Latest Practicable Date, 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 as set out in the terms and conditions of the Convertible Bonds, being the fixed rate of HK$6.3351 : S$1.00 (the "**Fixed Exchange Rate**"), and at the prevailing conversion price of S$0.757 per Share (as adjusted with effect from 6 May 2016, as announced by the Company on 22 April 2016), such conversion price being subject to adjustments in accordance with the terms and conditions of the Convertible Bonds.

3.2 **Convertible Bonds Offer.** As stated in the Offer Document, in addition to extending the Offer to all new Shares unconditionally issued or to be issued pursuant to the valid conversion of any of the outstanding Convertible Bonds prior to the close of the Offer, DBS has made, for and on behalf of the Offeror, the Convertible Bonds Offer in accordance with Rule 19 of the Code.

3.3 **Convertible Bonds Offer Price.** As stated in the Offer Document, 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 of S$0.757, the Convertible Bonds Offer Price for every HK$1,000,000 principal amount of Convertible Bonds will be S$212,691.42 in cash.

3.4 **No Encumbrances.** The Convertible Bonds will be acquired (i) fully paid-up; (ii) free from Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all interests, payments, rights or other distributions which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

3.5 **Adjustment for Distributions.** In the event any interest, payment, right or other distribution is announced, declared, paid or made on the Convertible Bonds on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Convertible Bonds Offer Price payable to such accepting Bondholder by the amount of such interest, payment, right or other distribution.

3.6 **Condition of the Convertible Bonds Offer.** The Convertible Bonds Offer will be conditional upon the Offer becoming or being declared unconditional in all respects.

3.7 **Offer and Convertible Bonds Offer Mutually Exclusive.** As stated in the Offer Document, for the avoidance of doubt, whilst the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and are mutually exclusive. The Convertible Bonds Offer does not form part of the Offer, and *vice versa*. Without prejudice to the foregoing, if a Bondholder converts his Convertible Bonds in order to accept the Offer in respect of the new Shares to be issued pursuant to such conversion, he may not accept the Convertible Bonds Offer in respect of such converted Convertible Bonds. Conversely, if a Bondholder wishes to accept the Convertible Bonds Offer in respect of his Convertible Bonds, he may not convert those Convertible Bonds in order to accept the Offer in respect of the new Shares to be issued pursuant to such conversion.

3.8 **Warranty.** As stated in the Offer Document, acceptance of the Convertible Bonds Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Bondholder that each Convertible Bond tendered in acceptance of the Convertible Bonds Offer is sold by the accepting Bondholder, as or on behalf of the beneficial owner(s) thereof, (i) fully paid-up; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all interests, payments, rights or other distributions which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

3.9 **Choices.** As stated in the Offer Document, Bondholders can, in relation to all or part of their Convertible Bonds:

(i) convert such Convertible Bonds and participate in the Offer by (a) converting the Convertible Bonds in compliance with the procedures for the conversion of the Convertible Bonds set out in the terms and conditions of the Convertible Bonds; and (b) thereafter accepting the Offer in respect of all or part of the new Shares unconditionally issued or to be issued pursuant to such conversion, in accordance with the procedures set out in Appendix VI to the Offer Document;

(ii) accept the Convertible Bonds Offer in respect of all or part of the Convertible Bonds held in accordance with the procedures set out in Appendix VII to the Offer Document; or

(iii) take no action and let the Convertible Bonds Offer lapse in respect of their Convertible Bonds.

3.10 **Details of the Convertible Bonds Offer.** Further details of the Convertible Bonds Offer in relation to (i) the duration of the Convertible Bonds Offer; (ii) the settlement of the consideration for the Convertible Bonds Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Convertible Bonds Offer; and (iv) the right of withdrawal of acceptances of the Convertible Bonds Offer are set out in Appendix V to the Offer Document.

3.11 **Procedures for Acceptance.** The procedures for acceptance of the Convertible Bonds Offer are set out in Appendix VII to the Offer Document.

4. THE OPTIONS PROPOSAL

4.1 **CM Options.** As at the Latest Practicable Date, there are 2,205,000 outstanding CM Options. Under the rules of the Company Scheme, the CM Options are not freely transferable by the Optionholders.

4.2 **Terms of the Options Proposal.** As stated in the Offer Document, in view of the restriction on the transfer of the CM Options, the Offeror will not make an offer to acquire the CM Options in connection with the Offer (although as stated in the Offer Document, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the CM Options prior to the close of the Offer). Instead, DBS has, on behalf of the Offeror, made a proposal (the "**Options Proposal**") to the Optionholders, that subject to:

(i) the Offer becoming or being declared unconditional in all respects; and

(ii) the relevant CM 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:

(a) not to exercise any of such CM Options into new Shares; and

(b) 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 CM 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 CM Options for cancellation. If the Offer lapses or is withdrawn or if the relevant CM Options cease to be exercisable into new Shares, the Options Proposal will lapse accordingly.

4.3 **Option Price.** The Option Price is computed on a "see-through" basis. In other words, the Option Price in relation to any CM Option is the amount of the excess of the Offer Price over the exercise price of that CM Option. If however the exercise price of a CM Option is equal to or more than the Offer Price, the Option Price for each CM Option will be the nominal amount of S$0.001.

4.4 **Offer and Options Proposal Mutually Exclusive.** As stated in the Offer Document, for the avoidance of doubt, whilst the Options Proposal is conditional upon the Offer becoming or being declared unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Options Proposal. The Offer and the Options Proposal are separate and are mutually exclusive. Without prejudice to the foregoing, if the Optionholders wish to exercise their CM Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise, they may not accept the Options Proposal in respect of such CM Options. Conversely, if Optionholders wish to accept the Options Proposal in respect of their CM Options, they may not exercise those CM Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise.

4.5 **Details of the Options Proposal.** As stated in the Offer Document, details of the Options Proposal have been separately despatched to Optionholders. Optionholders are advised to read the terms and conditions of the Options Proposal.

5. INFORMATION ON THE OFFEROR, CORNERSTONE, CMG AND CM HIGHWAY

5.1 **Information on the Offeror, Cornerstone, CMG and CM Highway.** The Offer Document sets out information on the Offeror, Cornerstone, CMG and CM Highway which has been extracted therefrom and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***6. <u>INFORMATION ON THE OFFEROR AND CORNERSTONE</u>***

*6.1 **Information on the Offeror**. The Offeror is an investment holding company incorporated under the laws of the British Virgin Islands on 8 March 1994. As at the Latest Practicable Date:*

(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, which is in turn a wholly-owned subsidiary of CM Highway, and CM Highway is wholly-owned by CMG; and

(c) Cornerstone is the sole director of the Offeror.

*6.2 **Information on Cornerstone**. Cornerstone is an investment holding company incorporated under the laws of Hong Kong on 25 March 2009. As at the Latest Practicable Date:*

(a) Cornerstone has an issued and paid-up share capital of HK$2,950,000,000, consisting of 2,950,000,000 shares; and

(b) the directors of Cornerstone are:

(i) Mr. Luo Hui Lai;

(ii) Mr. Zheng Hai Jun; and

(iii) Mr. Jiang Yan Fei.

*6.3 **Additional Information**. **Appendix I** to this Offer Document sets out certain additional information on the Offeror.*

7. <u>INFORMATION ON CMG AND CM HIGHWAY</u>

*7.1 **Information on CMG.** 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 PRC. The business of CMG comprises three (3) core business sectors – Transportation, Finance, and Property.*

*7.2 **Information on CM Highway**. 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. As at the Latest Practicable Date, CM Highway has investments in 18 toll road operators, including holding shares in 12 listed companies in the PRC and the Company in Singapore.*

*7.3 **Additional Information on CM Highway**. **Appendix II** to this Offer Document sets out certain additional information on CM Highway.*"

5.2 Further Information on the Offeror and CM Highway. Further information on the Offeror and CM Highway is set out in **Appendix 3** to this Circular.

6. RATIONALE FOR THE OFFER AND THE CONVERTIBLE BONDS OFFER AND INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Convertible Bonds Offer and the Offeror's intentions for the Company has been extracted from the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders and Bondholders are advised to read the extract below carefully.

"***9. RATIONALE FOR THE OFFER AND THE CONVERTIBLE BONDS OFFER AND INTENTIONS FOR THE COMPANY***

9.1 ***Low Trading Liquidity of Shares***

*The trading volume of the Shares has been low, with an average daily trading volume[1] 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 date of the Offer Announcement (the "**Last Trading Day**"). Each of these represents less than 0.05% of the total number of issued Shares for 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.

9.2 ***Offer Price at a Significant Premium to the Last Transacted 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 significant premiums over the historical trading prices of the Shares without incurring brokerage and other trading costs.

9.3 ***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. 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.

9.4 ***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.

9.5 ***The Offeror's Future Plans for the Company***

It is currently the intention of the Offeror to ensure continuity in the operations of the Group. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and retains the flexibility to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company. Save as disclosed, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group.

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[1] Calculated by using the total volume of Shares traded divided by the number of Market Days 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."

7. LISTING STATUS AND COMPULSORY ACQUISITION

The Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and its rights of compulsory acquisition in respect of the Company. The relevant paragraphs have been extracted from the Offer Document and are reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***12. <u>LISTING STATUS AND COMPULSORY ACQUISITION</u>***

12.1 ***Listing Status***

Pursuant to Rule 1105 of 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 persons 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 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.

12.2 ***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 as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**<u>Dissenting Shareholders</u>**") 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 outstanding aggregate principal amount of the Convertible Bonds as at the date of the Convertible Bonds Offer (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 "**<u>Dissenting Convertible Bondholders</u>**") at a price equal to the Convertible Bonds Offer Price.*

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such principal amount 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 outstanding aggregate principal amount of the Convertible Bonds, Dissenting Convertible Bondholders will have a right to require the Offeror to acquire their Convertible Bonds at the Convertible Bonds Offer Price.

12.3 ***Offeror's Intentions***

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."

8. IRREVOCABLE UNDERTAKING

The Offer Document sets out information on the irrevocable undertaking provided by Hongda International Asset Management Limited, which has been extracted therefrom and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***13.*** ***<u>IRREVOCABLE UNDERTAKING</u>***

13.1 ***Irrevocable Undertaking.*** *As at the Latest Practicable Date, Hongda International Asset Management Limited ("**<u>HIAM</u>**") holds 125,343,736 Shares, representing approximately 6.98% of the total number of issued Shares. HIAM has executed an irrevocable undertaking dated 23 May 2016 (the "**<u>Irrevocable Undertaking</u>**") in favour of the Offeror, pursuant to which HIAM has undertaken to accept the Offer and the Convertible Bonds Offer in respect of (a) all Shares held by it, and (b) any other Shares and/or Convertible Bonds which it may acquire, or which may be allotted and issued to it, on or after the date of the Irrevocable Undertaking.*

13.2 *The Irrevocable Undertaking shall terminate, lapse and cease to have any effect upon the Offer being withdrawn for whatever reason other than as a result of a breach of any of HIAM's obligations under the Irrevocable Undertaking.*

13.3 *Save for the Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer and/or the Convertible Bonds Offer.*"

9. ADVICE OF THE IFA

9.1 **IFA.** CIMB Bank Berhad, Singapore Branch has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Convertible Bonds Offer. Shareholders and Bondholders should consider carefully the recommendation of the Independent Directors and the advice and recommendation of the IFA to the Independent Directors before deciding whether to accept or reject the Offer and/or the Convertible Bonds Offer (as the case may be). The IFA's advice and recommendation are set out in its letter dated 13 June 2016, which is set out in **Appendix 1** on **pages 18** to **64** of this Circular (the "**IFA Letter**").

9.2 **Key Factors Taken into Consideration by the IFA.** In arriving at its advice and recommendation, the IFA has taken into consideration certain factors (an extract of which is set out in italics below). All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"***11.1*** ***<u>The Offer</u>***

In arriving at our advice to the Independent Directors on the Offer, we have considered, inter alia, the following factors which should be read in the context of the full text of this letter:

(i) *The Shares have generally traded below the Offer Price in the 5-year period prior to the Last Trading Day.*

(ii) Between the Last Trading Day and 30 May 2016 and prior to the Offeror's acquisition of Shares from 31 May 2016, the Shares have not closed at or above the Offer Price. As at the Latest Practicable Date, the closing price of the Shares at S$1.025 was slightly above the Offer Price.

(iii) Between the Last Trading Day and the Latest Practicable Date, only 1,184,100 shares were transacted above the Offer Price and these accounted for approximately 0.9% of the 125,917,100 shares traded during the same period.

(iv) The Shares have traded within a VWAP band of S$0.814 to S$0.948 over the 5-year period prior to the Last Trading Day. During the most recent 6 months prior to the Last Trading Day, the Offer Price represents a premium of between 20.2% to 25.3% over the various VWAPs.

(v) The Share price appears to be supported by the Offer as at the Latest Practicable Date and it is possible that the market price and trading volume of the Shares may not be maintained at such levels after the close of the Offer.

(vi) The Offer Price represents a premium of approximately 7.8% over the NAV per Share of S$0.95 as at 31 March 2016 and a premium of approximately 13.5% over the RNAV per Share of S$0.90 as at 31 March 2016.

(vii) The trailing P/E multiple implied by the Offer Price is greater than the average historical P/E multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical P/E multiples between the Offer Announcement Date and the Latest Practicable Date.

(viii) The trailing EV/Sales multiple implied by the Offer Price is greater than the average historical EV/Sales multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical EV/Sales multiples between the Offer Announcement Date and the Latest Practicable Date.

(ix) The trailing EV/EBITDA multiple implied by the Offer Price is greater than the average historical EV/EBITDA multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical EV/EBITDA multiples between the Offer Announcement Date and the Latest Practicable Date.

(x) The trailing P/NAV multiple implied by the Offer Price is greater than the average historical P/NAV multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical P/NAV multiples between the Offer Announcement Date and the Latest Practicable Date.

(xi) The LTM P/E multiple implied by the Offer Price is above the corresponding median multiple and slightly below the corresponding mean multiple of the Comparable Companies. The forward 1-year and 2-year P/E multiples implied by the Offer Price are significantly above the corresponding mean and median multiples of the Comparable Companies.

(xii) The LTM EV/Sales, forward 1-year and 2-year EV/Sales multiples implied by the Offer Price are above the corresponding mean and median multiples of the Comparable Companies.

(xiii) The LTM EV/EBITDA multiple implied by the Offer Price is below the corresponding mean and median multiples of the Comparable Companies but is nonetheless within their corresponding range of multiples. The forward 1-year and 2-year EV/EBITDA multiples implied by the Offer Price are in line with the corresponding mean and median multiples of the Comparable Companies.

(xiv) The P/NAV multiple implied by the Offer Price is in line with the corresponding mean and median multiples of the Comparable Companies.

(xv) The P/RNAV multiple implied by the Offer Price is above the corresponding mean and median multiples of the Precedent Transactions.

(xvi) The P/E, EV/Sales, EV/EBITDA and P/NAV multiples implied by the Offer Price are above the corresponding multiples of the relevant previous transactions in relation to the Company.

(xvii) When compared against selected Precedent Takeovers where the targets were valued in excess of S$1.5 billion and where the offeror also controlled more than 50% of the voting rights in the target prior to the offer, the market price premium implied by the Offer Price is above the corresponding mean and median premia of these selected Precedent Takeovers in relation to closing share price, 1-month VWAP and 3-month VWAP prior to the offer announcement.

(xviii) The Offer Price is at a slight discount of 6.8% to the mean of the target price estimates by research analysts covering the Company.

(xix) The Company has a consistent record of paying dividends with yields ranging from 6.2% to 8.2% over the period between FY2011 and FY2015. Shareholders who accept the Offer may not be able to achieve comparable dividend yields, although we note that there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in previous periods.

(xx) The Offeror does not intend to maintain the listing status of the Company and does not intend to take any step for 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 less than 10% of the total number of issued Shares are held in public hands. The Offeror also intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act if and when entitled, and reserves the right to seek a Voluntary Delisting.

(xxi) HIAM has irrevocably undertaken to accept the Offer in relation to its Shares representing approximately 6.98% of the total Shares outstanding as at the Latest Practicable Date, implying that the Offeror is significantly closer to achieving the Acceptance Condition as compared to from the outset of the Offer. The Offeror also 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 SIC.

(xxii) As the Offeror already controls 78.49% of the total Shares outstanding as at the Latest Practicable Date, the Offeror is in a position to dictate all financial and operating policies of the Group, including dividend policy, and can pass all ordinary resolutions (where it is not conflicted). In addition, the Offeror is not precluded from voting on any delisting resolution.

(…)

11.2 The Convertible Bonds Offer

In arriving at our advice to the Independent Directors on the Convertible Bonds Offer, we have considered, inter alia, the following factors which should be read in the context of the full text of this letter:

(i) The Convertible Bonds have generally been quoted at significant discounts to the Convertible Bonds Offer Price since their listing date.

(ii) *The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 15.6%, 20.8%, 23.9% and 22.6%, respectively, to the average last quoted prices of the Convertible Bonds in the 1-month, 3-month, 6-month and 12-month periods preceding and including the Last Trading Day.*

(iii) *The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 6.6% to the Convertible Bonds last quoted price of S$199,546 as at the Latest Practicable Date.*

(iv) *The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 20.9% over the estimated theoretical value of such Convertible Bonds assuming they were held to maturity.*

(v) *The potential absolute proceeds to Bondholders assuming they were to hold HK$1,000,000 principal amount of Convertible Bonds to maturity would be significantly lower than that implied by the Convertible Bonds Offer Price.*

(vi) *In the event of a delisting of the Company, Bondholders have the right to require the Company to redeem all (but not some only) of their Convertible Bonds at 100 per cent. of their principal amount together with accrued but unpaid interest.*

(vii) *In the event that at least 90 per cent. in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled, the Company may with due notice redeem all (but not some only) of the outstanding Convertible Bonds at 100 per cent. of their principal amount together with accrued but unpaid interest. As at the Latest Practicable Date, approximately 12.9% of the principal amount of the Convertible Bonds originally issued remains outstanding.*"

9.3 **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, carefully considering all available information and based on the IFA's assessment of the financial terms of the Offer and the Convertible Bonds Offer, the IFA has advised the Independent Directors to make the following recommendation to Shareholders and Bondholders in relation to the Offer and the Convertible Bonds Offer (an extract of which is set out in italics below). All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"***Based upon, and having considered, inter alia, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Offer Price is <u>FAIR AND REASONABLE</u> under current prevailing market, economic, industry, monetary and other relevant considerations. Accordingly, we advise the Independent Directors to recommend that Shareholders <u>ACCEPT THE OFFER</u> or sell their Shares in the open market if they can receive a price higher than the Offer Price (after netting off the related transaction expenses).***

(…)

Based upon, and having considered, inter alia, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Convertible Bonds Offer Price is <u>FAIR AND REASONABLE</u> under current prevailing market, economic, industry, monetary and other relevant considerations. Accordingly, we advise the Independent Directors to recommend that Bondholders <u>ACCEPT THE CONVERTIBLE BONDS OFFER</u> or sell their Convertible Bonds in the open market if they are able to obtain a price higher than the Convertible Bonds Offer Price (after netting off the related transaction expenses)."

Shareholders and Bondholders should read the extracts in **paragraphs 9.2** and **9.3** above in conjunction with, and in the context of, the full text of the IFA Letter which is set out in **Appendix 1** on **pages 18** to **64** of this Circular.

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

10.1 Independent Directors. Dr Lim Heng Kow and Dr Hong Hai (the "**Independent Directors**") consider themselves to be independent for the purposes of making a recommendation to the Shareholders and the Bondholders in respect of the Offer and the Convertible Bonds Offer.

The Company understands that the Offeror has, on 4 May 2016, obtained a ruling from the SIC that each of (i) Mr Luo Hui Lai; (ii) Mr Zheng Hai Jun; (iii) Mr Jiang Yan Fei; and (iv) Mr Wang Xiu Feng is exempted from the requirement to make a recommendation to the Shareholders and the Bondholders in connection with the Offer. Each of (i) Mr Luo Hui Lai; (ii) Mr Zheng Hai Jun; (iii) Mr Jiang Yan Fei; and (iv) Mr Wang Xiu Feng has a conflict of interest in relation to the Offer as he is a director, executive and/or nominee of the Offeror and/or persons acting in concert with it.

All the Directors (including for the avoidance of doubt, (i) Mr Luo Hui Lai; (ii) Mr Zheng Hai Jun; (iii) Mr Jiang Yan Fei; and (iv) Mr Wang Xiu Feng) are jointly and severally responsible for the accuracy of facts stated and opinions expressed in documents, announcements and/or advertisements issued by, or on behalf of, the Company to the Shareholders and the Bondholders in connection with the Offer and the Convertible Bonds Offer.

10.2 Recommendation of the Independent Directors. The Independent Directors, having considered carefully the terms of the Offer and the Convertible Bonds Offer and the advice and recommendation given by the IFA, have set out their recommendation on the Offer and the Convertible Bonds Offers, respectively below:

(i) **The Offer**

The Independent Directors concur with the advice of the IFA in respect of the Offer and accordingly recommend that Shareholders **ACCEPT THE OFFER** or sell their Shares in the open market if they can receive a price higher than the Offer Price (after netting off the related transaction expenses).

(ii) **The Convertible Bonds Offer**

The Independent Directors concur with the advice of the IFA in respect of the Convertible Bonds Offer and accordingly recommend that Bondholders **ACCEPT THE CONVERTIBLE BONDS OFFER** or sell their Convertible Bonds in the open market if they are able to obtain a price higher than the Convertible Bonds Offer Price (after netting off the related transaction expenses).

SHAREHOLDERS AND BONDHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX 1 ON PAGES 18 TO 64 OF THIS CIRCULAR CAREFULLY.

10.3 No Regard to Specific Objectives. In making their recommendation, the Independent Directors have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder or Bondholder. Accordingly, the Directors recommend that any individual Shareholder or Bondholder who may require specific advice in the context of his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

11. OVERSEAS PERSONS

The Offer Document sets out information in relation to Overseas Persons, which has been extracted therefrom and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***14. OVERSEAS PERSONS***

The availability of the Offer and the Convertible Bonds Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) and/or Bondholders who are located or *whose mailing addresses are outside of Singapore (each, an "**Overseas Person**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Person should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer and Convertible Bonds Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdictions, the Offeror, DBS Bank and CDP each reserves the right not to send these documents to Shareholders and Bondholders in such overseas jurisdictions. For the avoidance of doubt, the Offer and the Convertible Bonds Offer will be open to all Shareholders and Bondholders (as the case may be), including those to whom this Offer Document, the FAA and/or the FAT have not been, or may not be, sent.***

*Copies of this Offer Document and any other 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 laws of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, means, 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 and the Convertible Bonds Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

Overseas Persons may, nonetheless, obtain copies of this Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, CDP (if he is a depositor) at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or the Registrar (if he is a scripholder), Boardroom Corporate & Advisory Services Pte. Ltd. at its office located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

Alternatively, an Overseas Person may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, the Registrar (if he is a scripholder) at the address listed above, or to the Tender Agent (if he is a Bondholder) by way of e-mail at exchange.gats@citi.com, to request for this Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk.

It is the responsibility of any Overseas Person who wishes to (a) request for this Offer Document, the FAA and/or the FAT and/or any related documents; or (b) accept the Offer or the Convertible Bonds Offer (as the case may be), to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Person shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including DBS Bank) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including DBS Bank) may be required to pay. In (i) requesting for this Offer Document, the FAA and/or the FAT and any related documents; and/or (ii) accepting the Offer or the Convertible Bonds Offer (as the case may be), the Overseas Person represents and warrants to the Offeror and DBS Bank that he is in full observance of the laws of the relevant jurisdiction in that connection, *and that he is in full compliance with all necessary formalities or legal requirements.* ***Any Overseas Person who is any doubt about his position should consult his professional adviser in the relevant jurisdiction****.*

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 Bondholders (including Overseas Persons) 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 (including an Overseas Person) to receive or see such announcement, notice or advertisement."

12. INFORMATION RELATING TO CPFIS INVESTORS / SRS INVESTORS

The Offer Document sets out information in relation to CPFIS Investors and SRS Investors, which has been extracted therefrom and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***17. GENERAL***

(…)

CPFIS Investors will receive further information on how to accept the Offer from the CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

SRS Investors will receive further information on how to accept the Offer from the SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice. SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks by the deadline stated in the letter from their respective SRS Agent Banks. SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their SRS investment accounts."

13. CONDITIONAL WAIVER OF RIGHT OF FIRST REFUSAL OVER HKC GUILIN EXPRESSWAY LIMITED

On 27 May 2016, the Company announced that it has agreed to waive its right of first refusal to acquire HKC Guilin Expressway Limited ("**Guilin Expressway Co**") subject to certain conditions (the "**Conditional Waiver**"), such that CM Highway could proceed with the acquisition of Guilin Expressway Co.

In connection with the Conditional Waiver, CM Highway irrevocably undertook to the Company that upon the occurrence of any of the following events:

(i) if the Offer lapses, is withdrawn or is not successful for whatsoever reason; or

(ii) if the Company remains a company listed on the SGX-ST following the close, the lapse or the withdrawal of the Offer, the Company shall be entitled (but shall not be obliged) to require CM Highway to sell and transfer Guilin Expressway Co (including, but not limited to, the rights to operate the Guilin Lingsan Expressway) to the Company or its nominee at the same purchase consideration at which CM Highway acquires Guilin Expressway Co from the vendor ("**Guilin Consideration**"), and if so required by the Company, CM Highway shall sell and transfer Guilin Expressway Co (including, but not limited to, the rights to operate the Guilin Lingsan Expressway) to the Company or its nominee at the Guilin Consideration (the "**CM Highway Undertaking**").

Any decision with respect to the purchase of Guilin Expressway Co shall ultimately be made by the Company at its sole and absolute discretion after having evaluated the target asset and the business conditions at the relevant time. For the avoidance of doubt, neither the Conditional Waiver nor the CM Highway Undertaking shall create any obligation on the part of the Company or its nominee to purchase Guilin Expressway Co.

Further information on the Conditional Waiver and the CM Highway Undertaking is set out in the announcement made by the Company on 27 May 2016 which is available on the website of the SGX-ST at **www.sgx.com**.

14. ACTION TO BE TAKEN BY SHAREHOLDERS AND BONDHOLDERS

Shareholders who do not wish to accept the Offer and Bondholders who do not wish to accept the Convertible Bonds Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

Shareholders and Bondholders who wish to accept the Offer and/or the Convertible Bonds Offer (as the case may be) must do so not later than 5.30 p.m. (Singapore time) on 27 June 2016 (Monday), or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Appendix VI to the Offer Document, the FAA and/or the FAT set out the procedures for acceptance of the Offer by a Shareholder.

Appendix VII to the Offer Document sets out the procedures for acceptance of the Convertible Bonds Offer by a Bondholder.

Shareholders who wish to accept the Offer should complete and return their acceptance form as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the share registrar of the Company (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on 27 June 2016 (Monday), or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

15. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, Cornerstone, CMG and CM Highway, persons acting in concert or deemed to be acting in concert with the Offeror, the Offer, the Convertible Bonds Offer, the IFA Letter, the letters issued by the Auditors and the IFA concerning the Statements of Prospects, the Valuation Report and the executive summary of the Traffic Consultant Report) are fair and accurate and that no material facts have been omitted from this Circular, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or publicly available sources (including, without limitation, the Offer Announcement, the Clarification Announcement and the Offer Document), the sole responsibility of the Directors of the Company 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 Circular.

In respect of the IFA Letter, the letters issued by the Auditors and the IFA concerning the Statements of Prospects, the Valuation Report and the executive summary of the Traffic Consultant Report as set out in **Appendices 1**, **7**, **8**, **10** and **11** to this Circular respectively, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

Yours faithfully
For and on behalf of the Board of Directors of
China Merchants Holdings (Pacific) Limited

Mr Luo Hui Lai
Executive Chairman

LETTER FROM CIMB TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER AND THE CONVERTIBLE BONDS OFFER

CIMB BANK BERHAD (13491-P)
Singapore Branch
(Incorporated in Malaysia)

50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

13 June 2016

To: **The Independent Directors**
China Merchants Holdings (Pacific) Limited
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 038986

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED, OTHER THAN THOSE SHARES OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY EASTON OVERSEAS LIMITED

1. INTRODUCTION

On 9 May 2016, DBS Bank Ltd. ("**DBS**") announced, 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**") and that an appropriate offer will also be made to the holders of the Convertible Bonds (as defined herein) (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**").

On 10 May 2016, DBS issued, for and on behalf of the Offeror, a clarification announcement to correct the terms of the Convertible Bonds Offer.

In connection with the Offer and the Convertible Bonds Offer, CIMB Bank Berhad, Singapore Branch ("**CIMB**") has been appointed as the independent financial adviser to advise the directors of the Company (the "**Directors**") who are considered independent (the "**Independent Directors**") for the purposes of the Offer and the Convertible Bonds Offer.

This letter sets out, *inter alia*, our evaluation of the financial terms of the Offer and the Convertible Bonds Offer and our advice thereon. It forms part of the circular dated 13 June 2016 issued by the Company to its shareholders ("**Shareholders**") setting out, *inter alia*, details of the Offer and the Convertible Bonds Offer as well as the recommendations of the Independent Directors in respect thereof (the "**Circular**").

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular and the offer document issued by DBS for and on behalf of the Offeror dated 30 May 2016 (the "**Offer Document**") shall have the same meanings herein. Any differences between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

To ensure that this letter is comprehensive and concise, details contained in the Circular and the Offer Document, where necessary or relevant are not wholly reproduced, but instead, are referenced to or summarised throughout this letter. We recommend that the Independent Directors advise Shareholders to read these contextual references and summaries with due care.

2. TERMS OF REFERENCE

We have been appointed to advise on the financial terms of the Offer and the Convertible Bonds Offer and whether Shareholders and Bondholders should accept or reject the Offer and the Convertible Bonds Offer, pursuant to Rules 7.1 and 24.1(b) of the Singapore Code on Take-overs and Mergers (the "**Code**"). We have confined our evaluation to the financial terms of the Offer and the Convertible Bonds Offer and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Offer or the Convertible Bonds Offer or the future prospects of the Company and its subsidiaries (the "**Group**") or any of its associated or joint venture companies and we have not made such evaluation or comment. However, we may draw upon the views of the Directors and/or the management of the Company (the "**Management**") (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter. We have not been requested, and we do not express any opinion on the relative merits of the Offer or the Convertible Bonds Offer as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares or the Convertible Bonds.

We have held discussions with the Directors and the Management and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, the Management and the Company's other professional advisers. We have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, the accuracy, completeness or adequacy of such information. However, we have made such enquiries and exercised our judgment as we deem necessary on such information and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material respects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group, its associated or joint venture companies, the Offer and the Convertible Bonds Offer have been disclosed to us, that such information is fair and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, the toll road operating rights) of the Group or of any of its associated or joint venture companies. We have not been furnished with any such evaluation or appraisal, except for the report ("**Valuation Report**") from the valuer appointed by the Company in connection with the Offer (the "**Independent Valuer**") (which is set out in Appendix 10 of the Circular) on which we have placed sole reliance in the evaluation or appraisal of the assets concerned. We have not made any independent verification of the contents of the Valuation Report.

Our analysis and opinion is based upon market, economic, industry, monetary and other conditions prevailing as at 6 June 2016 (the "**Latest Practicable Date**"), as well as the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Group. Shareholders and Bondholders should take note of any announcement and/or documents relevant to their consideration of the Offer and the Convertible Bonds Offer which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder or Bondholder. As each Shareholder or Bondholder would have different investment objectives and profiles, any Shareholder or Bondholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised in relation to the preparation of the Circular (other than this letter and our report on the Statement of Prospects (the "**Financial Review Letter**") set out in Appendix 8 of the Circular ("**Appendix 8**"). We were not involved in and have not provided any advice in the preparation, review and verification of the Circular (other than this letter and Appendix 8). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this letter and Appendix 8).

3. THE OFFER

As set out in Section 2 of the Circular, *inter alia*, the key terms and conditions of the Offer are as follows:

3.1 Offer Terms

As stated in the Offer Document, DBS has made, for and on behalf of the Offeror, the Offer for all the Offer Shares in accordance with Section 139 of the SFA and Rule 15 of the Code.

The Offer Document states that the Offer 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 granted under the Company Scheme prior to the Closing Date; and

(b) all new Shares unconditionally issued or to be issued pursuant to the valid conversion of any of the outstanding Convertible Bonds prior to the Closing Date.

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

3.2 Offer Price

As stated in the Offer Document, the Offer Price is:

For each Offer Share: S$1.020 in cash.

3.3 No Encumbrance

As stated in the Offer Document, the Offer Shares will be acquired:

(a) fully paid-up;

(b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever ("**Encumbrances**"); and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions or returns of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, other than the FY2015 Dividend).

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 as at the Record Date and Time for the FY2015 Dividend who accept the Offer will be entitled to retain the FY2015 Dividend.

3.4 Adjustment for Distributions

If any dividend, right and other distribution or return of capital (other than the FY2015 Dividend) is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to such accepting Shareholder(s) by an amount equivalent to such dividend, right and other distribution or return of capital.

3.5 Acceptance Condition

As stated in the Offer Document, the Offer is 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 per cent. of the Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**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 per cent. of the voting rights attributable to the maximum potential share capital of the Company. For this purpose, the "maximum potential 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.

3.6 Irrevocable Undertaking

As stated in the Offer Document, Hongda International Asset Management Limited ("**HIAM**"), which owned 125,343,736 Shares representing approximately 6.98% of the total issued Shares as at 6 May 2016 (being the latest practicable date prior to the printing of the Offer Document), had executed an irrevocable undertaking dated 23 May 2016 (the "**Irrevocable Undertaking**") in favour of the Offeror, pursuant to which HIAM has undertaken to accept the Offer and the Convertible Bonds Offer in respect of (i) all Shares held by it and (ii) any other Shares and/or Convertible Bonds which it may acquire, or which may be allotted and issued to it, on or after the date of such Irrevocable Undertaking. Further information on the Irrevocable Undertaking is set out in the Circular.

3.7 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up; (b) free from Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, other than the FY2015 Dividend).

4. THE CONVERTIBLE BONDS OFFER

As set out in Section 3 of the Circular, *inter alia*, the key terms and conditions of the Convertible Bonds Offer are as follows:

4.1 Convertible Bonds Offer Terms

As stated in the Offer Document, DBS has made, for and on behalf of the Offeror, the Convertible Bonds Offer in accordance with Rule 19 of the Code.

4.2 Convertible Bonds Offer Price

As stated in the Offer Document, the Convertible Bonds Offer is made 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 of S$1.00 to HK$6.3351 and the Prevailing Conversion Price of S$0.757 per Share, the Convertible Bonds Offer Price for every HK$1,000,000 principal amount of Convertible Bonds will be S$212,691.42 in cash.

4.3 No Encumbrances

The Convertible Bonds are to be acquired:

(a) fully paid-up;

(b) free from any and all Encumbrances; and

(c) together with all rights, benefits, entitlements attached thereto as at the Offer Announcement Date and thereafter 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 Offer Announcement Date).

4.4 Adjustment for Distribution

In the event any interest, payment, right or other distribution is announced, declared, paid or made on the Convertible Bonds on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Convertible Bonds Offer Price by the amount of such interest, payment, right or other distribution.

4.5 Condition of Convertible Bonds Offer

The Convertible Bonds Offer will be conditional upon the Offer becoming or being declared unconditional in all respects.

4.6 Offer and Convertible Bonds Offer Mutually Exclusive

For the avoidance of doubt, whilst the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and are mutually exclusive. The Convertible Bonds Offer does not form part of the Offer, and *vice versa*. Without prejudice to the foregoing, if a Bondholder converts his Convertible Bonds in order to accept the Offer in respect of the new Shares to be issued pursuant to such conversion, he may not accept the Convertible Bonds Offer in respect of such converted Convertible Bonds. Conversely, if a Bondholder wishes to accept the Convertible Bonds Offer in respect of his Convertible Bonds, he may not convert those Convertible Bonds in order to accept the Offer in respect of the new Shares to be issued pursuant to such conversion.

4.7 Warranty

Acceptance of the Convertible Bonds Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Bondholder that each Convertible Bond tendered in acceptance of the Convertible Bonds Offer is sold by the accepting Bondholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all interests, payments, rights or other distributions which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

5. RATIONALE FOR THE OFFER AND THE CONVERTIBLE BONDS OFFER

The full text of the rationale for the Offer and the Convertible Bonds Offer has been extracted from the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders and Bondholders are advised to read the extract below carefully.

"9.1 Low Trading Liquidity of Shares

*The trading volume of the Shares has been low, with an average daily trading volume 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.

9.2 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.

9.3 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.*

9.4 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."

6. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders and Bondholders are advised to read the extract below carefully.

> ***"9.5 The Offeror's Future Plans for the Company***
>
> *It is currently the intention of the Offeror to ensure continuity in the operations of the Group. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and retains the flexibility to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company. Save as disclosed, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group."*

7. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

Please refer to Section 5 of the Circular for information on the Offeror and its concert parties.

8. GENERAL INFORMATION ON THE COMPANY

Please refer to Appendix 2 of the Circular for general information on the Company.

9. FINANCIAL EVALUATION OF THE TERMS OF THE OFFER

Methodology

In assessing the financial terms of the Offer, we have considered the following:

(i) Historical trading performance of the Shares on the SGX-ST;

(ii) Net asset value ("**NAV**") and revalued net asset value ("**RNAV**") of the Group;

(iii) Historical trailing valuation multiples of the Shares such as P/E, EV/Sales, EV/EBITDA and P/NAV multiples (please see below for the general descriptions of these valuation multiples);

(iv) Valuation multiples of selected listed companies which are broadly comparable to the Company (the "**Comparable Companies**");

(v) Valuation multiples implied in selected transactions involving target companies which are in an industry similar to that of the Company (the "**Precedent Transactions**");

(vi) Relevant previous transactions in relation to the Company;

(vii) Premia/discounts paid in recent delistings or privatisations of listed companies on the SGX-ST (the **"Precedent Takeovers**");

(viii) Analysts' price targets for the Shares;

(ix) Dividend track record of the Company;

(x) The Group's historical financial performance and financial position and outlook; and

(xi) Other relevant considerations which have a bearing on our assessment.

General bases and assumptions

We wish to highlight that unless specified otherwise, we have relied on the following general bases in our analysis:

(i) As at the Latest Practicable Date, the issued and paid-up capital of the Company comprises 1,794,524,100 Shares, and the Company does not hold any treasury shares;

(ii) As at the Latest Practicable Date, there are 2,205,000 outstanding Options granted under the Company Scheme. We note that these Options have an exercise price of S$0.751 and are therefore in-the-money as at the Latest Practicable Date. However, in view of the Options Proposal, the fact that the Shares have largely closed at or below the Offer Price between the Offer Announcement Date and the Latest Practicable Date, and that the closing price of the Shares as at the Latest Practicable Date is only marginally above the Offer Price, we have assumed that none of the Options would be converted to Shares for the purpose of our analysis. Having considered the Convertible Bonds Offer, we have also assumed that none of the Convertible Bonds are converted into Shares for the purpose of our analysis. We have therefore applied the undiluted share capital of 1,794,524,100 Shares in conducting our analysis;

(iii) We note that the Company had undertaken a bonus issue on the basis of one (1) new share for every 20 existing shares held on 14 May 2015 (ex-date being 12 May 2015) (the "**Bonus Issue**"). For the purposes of our analysis, the historical Share prices and trading volumes have been retrospectively adjusted for the Bonus Issue where relevant; and

(iv) The underlying figures, financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., Thomson Reuters, Mergermarket Limited, SGXNET and/or other public filings as at the Latest Practicable Date or provided by the Company where relevant. CIMB makes no representations or warranties, express or implied, as to the accuracy or completeness of such information.

Valuation multiples

We have applied the following valuation multiples in our analysis:

Valuation Multiples	General Description
P/E	The "**P/E**" or "**price-to-earnings**" multiple illustrates the ratio of the market price of a company's share relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation.
EV/Sales	"**EV**" or "**enterprise value**" is the sum of a company's market capitalisation, preferred equity, minority interests, short and long term debt less its cash and cash equivalents. The "**EV/Sales**" multiple illustrates the ratio of the company's enterprise value relative to the company's revenue.
EV/EBITDA	"**EBITDA**" stands for earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of results of joint ventures, net of tax. The EV/EBITDA multiple illustrates the market value of a company's business relative to its pre-tax operating cashflow performance, without regard to the company's capital structure.

Valuation Multiples	General Description
P/NAV	The "**P/NAV**" or "**price-to-NAV**" multiple illustrates the ratio of the market price of a company's share relative to its historical NAV per share as recorded in its financial statements. The NAV of a company is defined as its total assets (including intangible assets) less its total liabilities, and excludes, where applicable, minority interests. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets at book value, the proceeds of which are first used to settle liabilities and obligations with the balance available for distribution to shareholders. Comparisons of companies using their NAVs are affected by differences in accounting policies, in particular depreciation and amortisation policies.
P/RNAV	The "**P/RNAV**" or "**price-to-RNAV**" multiple illustrates the ratio of the market price of a company's share relative to its RNAV per share. The RNAV approach is a common method of valuing assets at their market or realisable value, which may exceed their net book or carrying value. The market values would typically be calculated by expert valuers on the basis of market benchmarks or by discounting future cash flows.

9.1 Historical trading performance of the Shares

We have compared the Offer Price to the historical price performance of the Shares and considered the historical trading volume of the Shares.

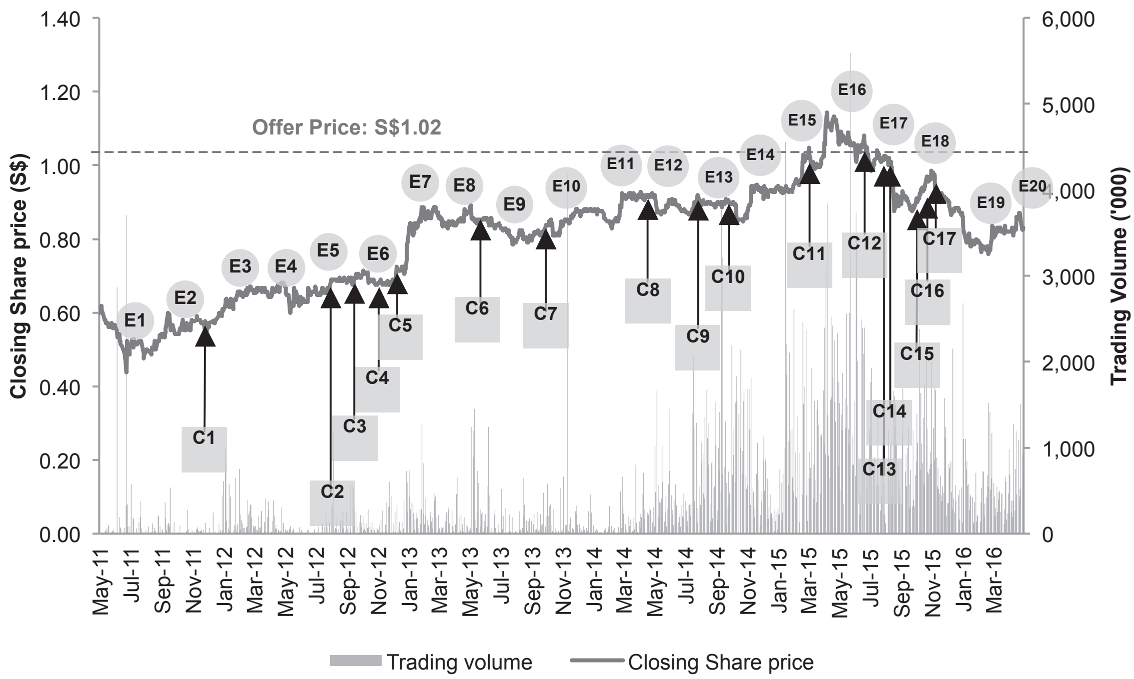
Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication of its future trading performance. The price performance of the Shares may be due to market factors and other individual factors which may not be easily isolated and identified with certainty.

9.1.1 Price performance and trading activity of the Shares

In evaluating the Offer Price, it would be relevant to examine the price performance and trading volume of the Shares over a reasonable period, during which the market price of the Shares may ordinarily reflect public investors' valuation of the Shares, based on publicly available information.

Share price performance

We set out below the daily closing prices and trading volumes of the Shares for the 5-year period between 6 May 2011 and 5 May 2016 (being the last full trading day on which the Shares were traded prior to the release of the Offer Announcement) (the "**Last Trading Day**") and highlight certain key events during this period.



Source: Bloomberg L.P. and the Company's filings

Earnings announcements/declaration of dividends:

E1	**4 August 2011:** 2Q FY2011. Interim dividend of S$0.025	E11	**27 February 2014:** FY2013. Final dividend of S$0.0425
E2	**3 November 2011:** 3Q FY2011	E12	**24 April 2014:** 1Q FY2014
E3	**23 February 2012:** FY2011. Final dividend of S$0.03	E13	**7 August 2014:** 2Q FY2014. Interim dividend of S$0.035
E4	**27 April 2012:** 1Q FY2012	E14	**6 November 2014:** 3Q FY2014
E5	**7 August 2012:** 2Q FY2012. Interim dividend of $0.0275	E15	**27 February 2015:** FY2014. Final dividend of S$0.035
E6	**25 October 2012:** 3Q FY2012	E16	**30 April 2015:** 1Q FY2015
E7	**27 February 2013:** FY2012. Final dividend of S$0.0275	E17	**30 July 2015:** 2Q FY2015. Interim dividend of $0.035
E8	**25 April 2013:** 1Q FY2013	E18	**5 November 2015:** 3Q FY2015
E9	**7 August 2013:** 2Q FY2013. Interim dividend of $0.0275	E19	**25 February 2016:** FY2015. Final dividend of S$0.035
E10	**7 November 2013:** 3Q FY2013	E20	**28 April 2016:** 1Q FY2016

Source: The Company's filings

Other corporate announcements and significant events:

C1 **18 January 2012:** The Company announced the disposal of its 60% indirect interest in Yuyao Highway in Zhejiang province, the PRC (the "**Yuyao Disposal**"), for a consideration of RMB450 million.

C2 **6 August 2012:** The Company announced the acquisition of 100% interest in Beilun Port Expressway Co which owns the rights to operate the Beilun Port Expressway in Zhejiang province, the PRC (the "**Beilun Acquisition**"), for a maximum consideration of RMB1.455 billion.

C3 **17 September 2012:** The Company announced the issuance of HK$1.163 billion in principal amount of Convertible Bonds to partially fund the Beilun Acquisition.

C4 **14 November 2012:** The Company completed the Beilun Acquisition.

C5 **12 December 2012:** The Company announced the proposed acquisition of 100% interest in Hong Kong Honest Queen International Investment Limited, the holding company of Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd which owns the rights to operate the Jiuriu Expressway in Zhejiang province, the PRC (the "**Jiurui Acquisition**"), for a proposed maximum consideration of RMB925 million (or HK$1.140 billion).

C6 **15 May 2013:** The Company announced the non-completion of the Jiurui Acquisition as certain conditions precedent were not satisfied.

C7 **27 September 2013:** The Company announced the disposal of 100% interest in China Merchants Pacific (NZ) Limited (the "**New Zealand Disposal**") to exit the non-core property development business in New Zealand, for a consideration of HK$356 million.

C8 **16 April 2014:** The Company completed the New Zealand Disposal.

C9 **21 July 2014:** The Company announced the Jiurui Acquisition for a maximum consideration of HK$906 million.

C10 **9 September 2014:** The Company completed the Jiurui Acquisition and as part consideration for the Jiurui Acquisition, the Company issued 119,374,987 new Shares to HIAM representing 11.79% of the then enlarged total issued share capital.

C11 **27 February 2015:** The Company announced the Bonus Issue.

C12 **3 June 2015:** The new Shares pursuant to the Bonus Issue commenced trading on the Main Board of the SGX-ST.

C13 **23 June 2015:** The Company announced the acquisition of 100% interest in (i) Guangxi Guixing Expressway Investment and Construction Co., Ltd for a consideration of RMB1.258 billion, (ii) Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd for a consideration of RMB930 million and (iii) Guangxi Huatong Expressway Co., Ltd for a consideration of RMB848 million, which own the rights to operate the Guixing Expressway, Guiyang Expressway and Yangping Expressway in Guangxi, the PRC (the "**Guixing Acquisition**", the "**Guiyang Acquisition**" and the "**Yangping Acquisition**", respectively).

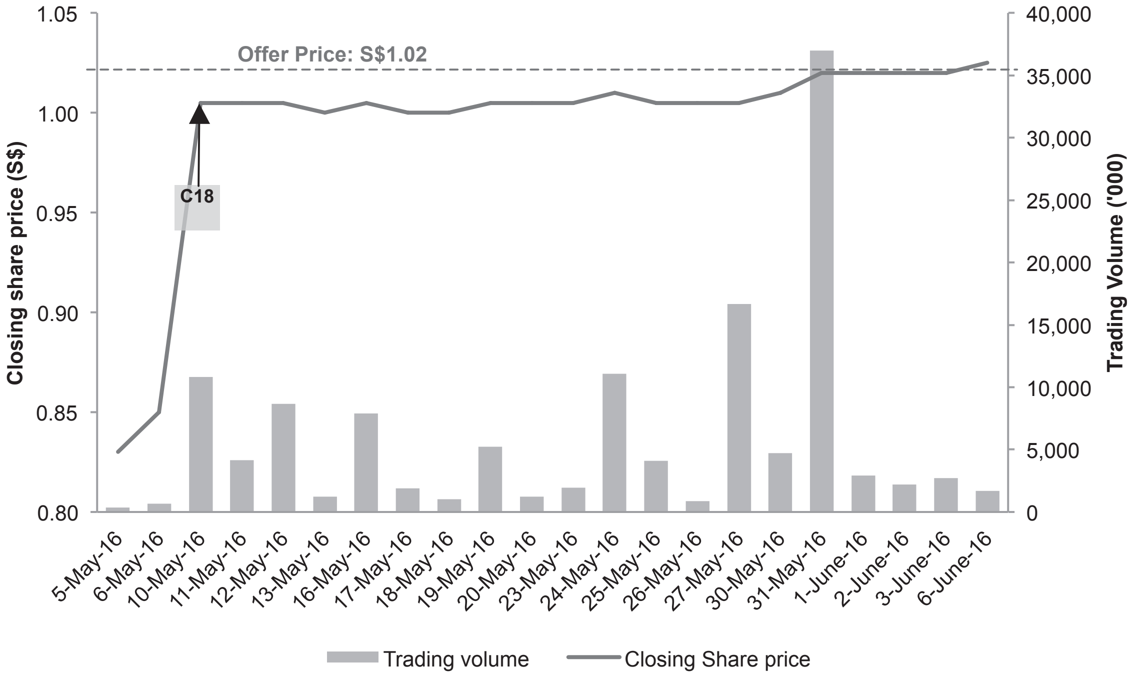
C14 **30 July 2015:** The Company announced a non-renounceable non-underwritten preferential offering of new shares at an issue price of S$1.00 for each Share on the basis of one new Share for every two existing Shares (the "**Preferential Offering**"), raising gross proceeds of S$598 million which was used to fund part of the consideration for the Guixing Acquisition, the Guiyang Acquisition and the Yangping Acquisition.

C15 **23 September 2015:** The Company completed the Yangping Acquisition.

C16 **29 September 2015:** The new Shares pursuant to the Preferential Offering commenced trading on Main Board of the SGX-ST.

C17 **16 October 2015**: The Company completed the Guixing Acquisition and the Guiyang Acquisition.

We set out below the daily closing prices and trading volumes of the Shares for the period after the Last Trading Day and up to the Latest Practicable Date:



Source: Bloomberg L.P. and the Company's announcements released on SGXNET

Other corporate announcements and significant events:

C18 **9 May 2016:** The Offer Announcement was released.

Based on the above, we note the following:

(i) Save for the period from 25 February 2015 to 13 August 2015, the Shares had generally traded below the Offer Price over the 5-year period prior to the Last Trading Day;

(ii) Since reaching a high of S$1.148 on 13 April 2015, the Shares had persistently trended downwards to close at S$0.83 as at the Last Trading day;

(iii) Between the Last Trading Day and the Latest Practicable Date, the closing price of the Shares had generally trended upwards and has closed slightly above the Offer Price at S$1.025 as at the Latest Practicable Date;

(iv) Between the Last Trading Day and the Latest Practicable Date, only 1,184,100 shares were transacted above the Offer Price and these accounted for approximately 0.9% of the 125,917,100 shares traded during the same period;

(v) The Offeror commenced acquisition of the Shares from 31 May 2016, and between 31 May 2016 and the Latest Practicable Date, the Shares traded within a tight band of S$1.020 and S$1.025; and

(vi) As at the Latest Practicable Date, the closing price of the Shares was slightly above the Offer Price at S$1.025.

Trading volume

We set out below the historical average daily trading volume ("**ADTV**") of the Shares for various periods between 6 May 2011 and up to the Last Trading Day.

Periods prior to the Last Trading Day	ADTV[1] ('000)	ADTV as a percentage of free float[2] (%)
Last 5 years	442	0.25%
Last 3 years	618	0.33%
Last 2 years	833	0.42%
Last 1 year	836	0.27%
Last 6 months	598	0.19%
Last 3 months	558	0.18%
Last 1 month	656	0.21%
Last Trading Day	368	0.12%

Source: Bloomberg L.P.

Notes:

1 The ADTV of the Shares is calculated based on the total volume of the Shares traded during the period divided by the number of market days during that period.

2 Based on the public float of the Shares during each relevant period.

Based on the above, we note the following:

(i) The ADTV of the Shares ranged between 368,000 Shares and 836,000 Shares, or between 0.12% and 0.42% of the Company's free float, over the various historical periods; and

(ii) During the 5-year period prior to the Last Trading Day, trading in the Shares occurred on approximately 94.1% of all market days in that period.

Based on the above, it appears that while the historical trading volume of the Shares has not been high in absolute terms relative to the market capitalisation of the Company, the Shares are nevertheless readily traded on a very frequent basis indicating a ready market for the trading of the Shares. We also note that the Company is covered by at least 2 equity research analysts, which provides guidance to public investors in their investment decision-making in relation to the Company. These would imply that the transacted prices of the Shares generally reflect publicly available information and public investors' valuation. As such, the historical market prices of the Shares provide a reasonable and valid benchmark for assessing the Offer Price.

Price premia

We set out below the premia implied by the Offer Price over the historical volume-weighted average transacted prices ("**VWAP**") of the Shares during the various historical periods prior and up to the Last Trading Day.

Periods prior to the Last Trading Day	VWAP (S$)	Premium of Offer Price over VWAP (%)	Highest price (S$)	Lowest price (S$)
Last 5 years	0.907	12.4%	1.148	1.129
Last 3 years	0.941	8.4%	1.148	1.129
Last 2 years	0.948	7.5%	1.148	1.129
Last 1 year	0.945	8.0%	1.100	1.071
Last 6 months	0.848	20.2%	1.000	0.965
Last 3 months	0.814	25.3%	0.875	0.865
Last 1 month	0.837	21.8%	0.875	0.865
Closing price on the Last Trading Day	0.830	22.9%	0.835	0.820

Source: Bloomberg L.P.

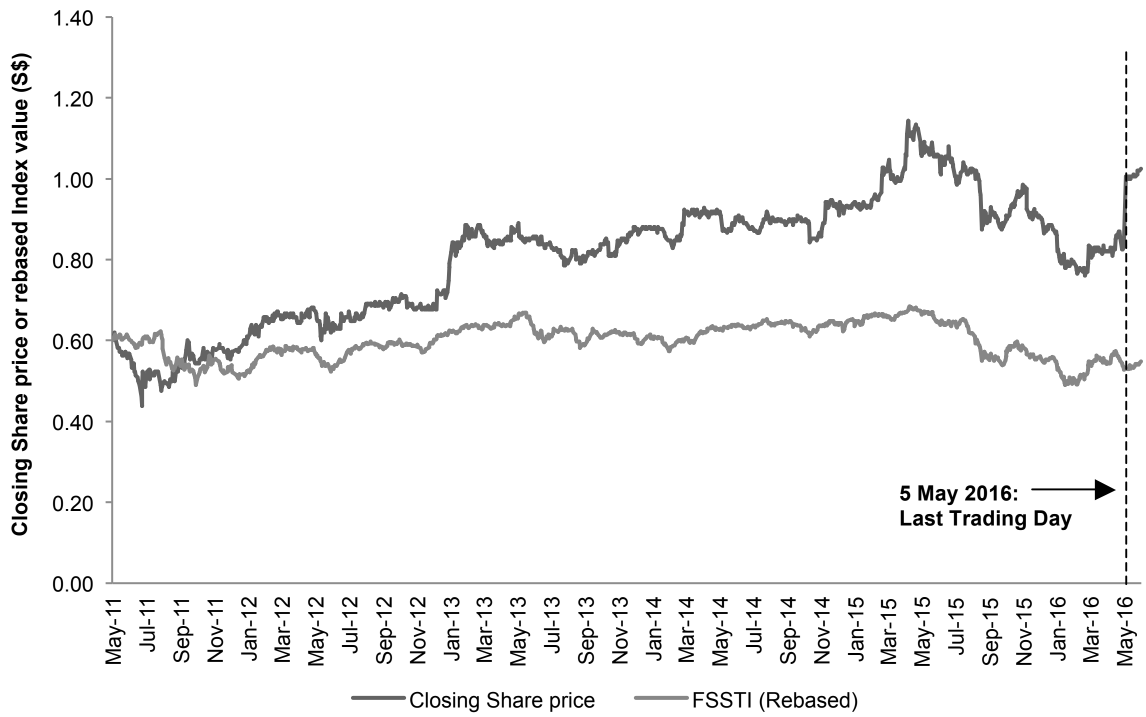
Note:

1 The historical VWAPs are rounded to the nearest three (3) decimal places for the purpose of calculating the corresponding premium.

Based on the above, we note that the Shares have traded within a VWAP band of S$0.814 to S$0.948 over the 5-year period prior to the Last Trading Day. We note that the Offer Price represents a premium of between 20.2% to 25.3% over the various VWAPs in the most recent 6 months prior to the Last Trading Day.

9.1.2 Price performance of the Shares relative to market performance

To gauge the price performance of the Shares relative to the general price performance of the stock market, we set out below the market price movement of the Shares against the FTSE Straits Times Index ("**FSSTI**") for the period between 6 May 2011 (being 5 years prior to the Last Trading Day) and the Latest Practicable Date.



Source: Bloomberg L.P.

Note:

1 The FSSTI is a market capitalisation weighted index based on the stocks of 30 representative companies listed on the Mainboard of the SGX-ST.

Based on the above, we note the following:

(i) Between 6 May 2011 and the Last Trading Day, the Shares had largely outperformed the FSSTI and had recorded an increase of 38.3% in price, significantly higher than the relative performance of the FSSTI which declined by 10.7% over the same period;

(ii) The closing price of the Shares spiked by 18.2% on 10 May 2016 on high trading volume of approximately 10.8 million shares, immediately following the release of the Offer Announcement. Between the Last Trading Day and the Latest Practicable Date, the Shares had recorded an increase of 23.5% in price, significantly higher than the relative performance of the FSSTI which increased by 2.3% over the same period;

(iii) Between the Last Trading Day and the Latest Practicable Date, the Shares recorded ADTV of 5,866,437 Shares which is significantly higher than the ADTVs of 618,478 Shares, 832,917 Shares and 836,217 Shares over the 3-year period, 2-year period and 1-year period prior to the Last Trading Day, respectively. Based on publicly available information, the Offeror had acquired a total of 45,308,800 Shares at the Offer Price of S$1.020 per Share which represented approximately 35.1% of the total trading volume of the Shares during this period. The acquired Shares by the Offeror also represents approximately 2.52% of the share capital of the Company.

Based on the foregoing, we conclude that it is highly likely that the market price of the Shares as at the Latest Practicable Date is supported by the Offer Price and it is also possible that the market price and trading volume of the Shares may not be maintained at such levels after the close of the Offer.

9.2 NAV and RNAV of the Group

Based on the Company's unaudited consolidated financial statements for the 3 months ended 31 March 2016, the unaudited NAV of the Group as at 31 March 2016 was approximately S$1,698.1 million or approximately S$0.95 per Share.

The table below sets out the premium of the Offer Price over the NAV per Share as at 31 March 2016.

	As at 31 March 2016	Premium implied by the Offer Price
NAV[1]	S$1,698.1 million	–
Offer Price	S$1.02	–
NAV per Share[2]	S$0.95	7.8%

Notes:

1 Based on a S$/HK$ exchange rate of 5.7529 as at 31 March 2016.

2 Based on the undiluted share capital of the Company of 1,794,524,100 Shares.

Based on the above, we note that the Offer Price represents a premium of approximately 7.8% over the NAV per Share as at 31 March 2016.

We note that the assets of the Group comprise (i) intangible assets consisting principally of toll road operating concession rights (approximately 81.8% of total assets as at 31 March 2016); (ii) cash and cash equivalents (approximately 9.3% of total assets as at 31 March 2016); (iii) interest in joint ventures (approximately 6.4% of total assets as at 31 March 2016); and (iv) property, plant and equipment (approximately 1.7% of total assets as at 31 March 2016).

We understand from the Company that the Group's assets are primarily used in the core operations of the Group in the ordinary course of business and that as at the Latest Practicable Date, there is nothing that would cause the Company to believe that there may be any material changes to the terms and conditions governing the toll road operating concession rights of the Group (including any changes to the expiry dates of such toll road operating concession rights). We note from the Offer Document that the Offeror has no intentions to re-deploy any of the material fixed assets of the Group other than in the ordinary course of business. In addition, the Company has confirmed to us that the Group does not have any material contingent liabilities as at the Latest Practicable Date which may have a material impact on the NAV of the Group.

Given the asset-intensive nature of the Group's operations, we considered the RNAV of the Group taking into consideration the prevailing market value of the Group's toll road operating concession rights. In connection with the Offer, the Company has commissioned independent valuations to determine the market value of all toll road operating concession rights in which the Group has interests (the "**Revalued Toll Rights**"). A summary of the valuation figures for the Revalued Toll Rights and the Company's effective share of the net revaluation surplus/deficit is set out below.

Revalued Toll Rights pertaining to	Company's effective interest (%)	Valuation[1] (S$ million)	Share of net revaluation surplus/ (deficit)[2] (S$ million)
Yongtaiwen Expressway	51%	1,203.7	82.0
Beilun Port Expressway[3]	100%	319.4	(30.9)
Jiurui Expressway	100%	557.3	(40.4)
Guixing Expressway	100%	781.5	36.3
Guiyang Expressway	100%	494.0	(56.7)

Revalued Toll Rights pertaining to	Company's effective interest (%)	Valuation[1] (S$ million)	Share of net revaluation surplus/ (deficit)[2] (S$ million)
Yangping Expressway	100%	315.0	(75.2)
Guiliu Expressway	40%	458.1	–
Guihuang Expressway	60%	150.8	–
Total net revaluation surplus/(deficit)		**4,279.9**	**(84.9)**

Source: The Company's filings, the Valuation Report and the Management's computations

Notes:

1 Unless otherwise provided, the valuations reflect the open market value (as-is valuation basis) of the 100% interest in each of the respective Revalued Toll Rights as indicated in the Valuation Report. The valuations are translated from RMB to S$, where applicable, based on a S$/RMB exchange rate of 4.787.

2 The net revaluation surplus/deficit for each of the Revalued Toll Rights is computed by the Management after taking into consideration the net book value of such Revalued Toll Rights as at 31 March 2016, their respective valuations as indicated in the Valuation Report and net of estimated tax liabilities assuming a hypothetical sale of the Group's interest in the companies owning the Revalued Toll Rights.

3 Management has confirmed that as at the Latest Practicable Date, the relevant regulatory approvals have yet to be obtained in relation to determining the final expiry date of the toll road concession rights pertaining to the Beilun Port Expressway and that the point estimate for the market value in relation thereto has been arrived at based on information available as at the Latest Practicable Date.

The valuations of the Revalued Toll Rights as set out above are based on the Valuation Report from the Independent Valuer. Further information on the Revalued Toll Rights including the basis for the valuations is set out in the Valuation Report which is set out in Appendix 10 of the Circular.

Save for the Revalued Toll Rights, the other assets of the Group have not been revalued for the purpose of determining the RNAV of the Group, as they relate primarily to (i) cash and cash equivalents; (ii) trade and other receivables; (iii) inventories; and (iv) property, plant and equipment.

Based on the above, the following adjustments were made to determine the RNAV of the Group for the purpose of our analysis:

	(HK$ million)	(S$ million)[1]
The Group's NAV as at 31 March 2016	9,768.7	1,698.1
Less: Net revaluation deficit arising from Revalued Toll Rights	(488.6)	(84.9)
RNAV as at 31 March 2016	9,280.1	1,613.1
RNAV per Share (HK$ or S$)	5.17	0.90
Premium to RNAV as implied by the Offer Price	–	**13.5%**

Source: The Management's estimates, the Company's filings and CIMB's analysis

Note:

1 Based on a S$/HK$ exchange rate of 5.7529 as at 31 March 2016.

Shareholders should note that the above analysis assumes the hypothetical sale of the Group's interest in the Revalued Toll Rights as at the Latest Practicable Date. The Company has confirmed to us that (i) the Group does not have current plans for an imminent material disposal and/or conversion of the use of the Group's assets and/or material change in the nature of the Group's business as at the Latest Practicable Date, (ii) save for the Revalued Toll Rights, there are no material differences between the realisable value of the Group's other assets and their respective book values as at 31 March 2016 which would have a material impact on the NAV of the Group, (iii) there have been no material acquisitions and/or disposals of assets by the Group between 31 March 2016 and the Latest Practicable Date, and (iv) there are no contingent liabilities which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date.

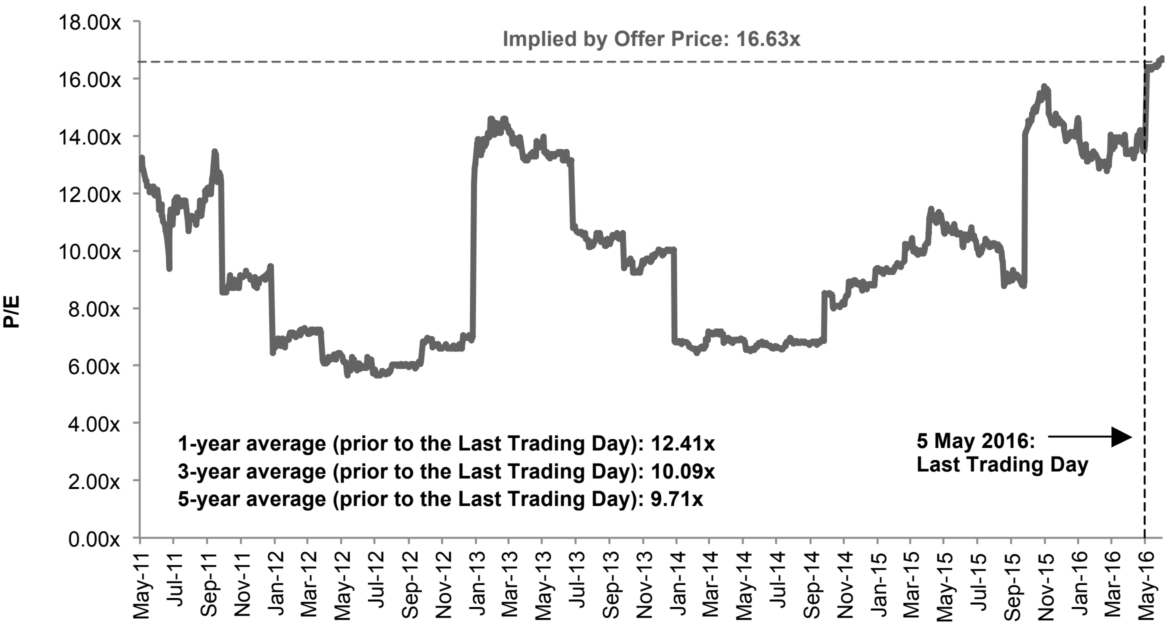
We also note from the Offer Document that it is currently the intention of the Offeror to ensure continuity in the operations of the Group. The Offeror also intends to undertake a review of the operations, management and financial position of the Group and retains the flexibility to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company. Save as disclosed, the Offeror does not currently have any intention to (i) make any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of the existing employees of the Group.

Based on the above, we note that the Offer Price is at a premium of approximately 13.5% over the RNAV per Share of S$0.90 as at 31 March 2016.

9.3 Historical trailing P/E, EV/Sales, EV/EBITDA and P/NAV multiples of the Shares

9.3.1 Trailing P/E multiples of the Shares

We have compared the P/E multiple of the Shares implied by the Offer Price (based on the earnings per share attributable to owners of the Company as reported for the most recent twelve months prior to the Latest Practicable Date) against the trailing P/E multiples of the Shares calculated based on the daily closing prices of the Shares and the trailing twelve-month earnings per Share attributable to owners of the Company, for the 5-year period prior to the Last Trading Day, as well as till the Latest Practicable Date. It should be noted that the trailing earnings attributable to the owners of the Company as at the Latest Practicable Date do not reflect the full 12-month earnings contributions of the Guixing, Guiyang and Yangping Expressways, the acquisitions of which were completed in September and October 2015.



Source: Bloomberg L.P. and the Company's filings

Notes:

1 P/E multiples have been calculated based on exchange rates from Bloomberg L. P. for the relevant periods.

2 The trailing P/E multiples of the Shares have been calculated using the issued capital of the Company which has been retrospectively adjusted for the Bonus Issue across the relevant periods.

3 The earnings per Share attributable to the owners of the Company for the quarter ended 31 December 2012 have been adjusted to exclude the exceptional gain relating to the Yuyao Disposal of HK$365.1 million.

4 The earnings per Share attributable to the owners of the Company for the quarter ended 30 June 2014 have been adjusted to exclude the exceptional gain relating to the New Zealand Disposal of HK$66.3 million.

5 The P/E multiple implied by the Offer Price has been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

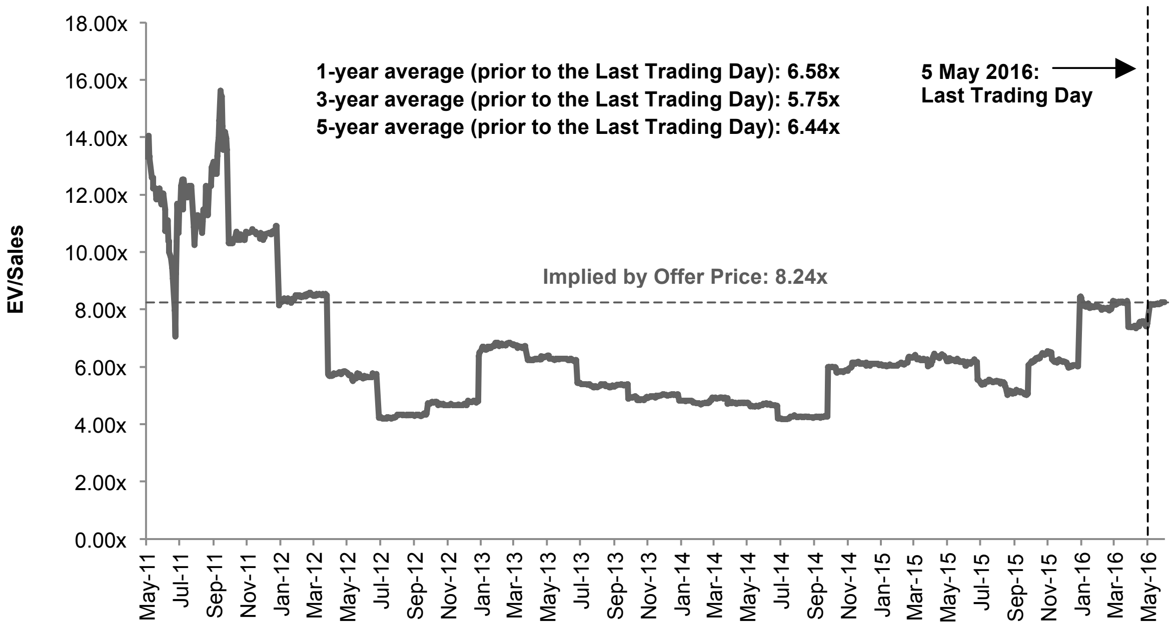
Based on the above, we note the following:

(i) At 16.63x, the P/E multiple implied by the Offer Price is greater than the average historical P/E multiples of the Shares for 5-year, 3-year and 1-year periods prior to Last Trading Day of 9.71x, 10.09x and 12.41x respectively; and

(ii) Post the announcement of the Offer, the P/E multiple implied by the Offer Price has largely exceeded the trailing historical P/E multiples of the Shares between the Offer Announcement Date and the Latest Practicable Date.

9.3.2 Trailing EV/Sales multiples of the Shares

We have also compared the EV/Sales multiple of the Shares implied by the Offer Price (based on the revenue of the Group as reported for the most recent twelve months prior to the Latest Practicable Date) against the trailing EV/Sales multiples of the Shares calculated based on the daily closing prices of the Shares and the Group's trailing twelve-month revenue, for the 5-year period prior to the Last Trading Day, as well as till the Latest Practicable Date. It should be noted that the Group's trailing revenue as at the Latest Practicable Date does not reflect the full 12-month revenue contributions of the Guixing, Guiyang and Yangping Expressways, the acquisitions of which were completed in September and October 2015.



Source: Bloomberg L.P. and the Company's filings

Notes:

1 EV/Sales multiples have been calculated based on exchange rates from Bloomberg L.P. for the relevant periods.

2 The trailing EV/Sales multiples of the Shares have been calculated using the issued capital of the Company which has been retrospectively adjusted for the Bonus Issue across the relevant periods.

3 The EV/Sales multiple implied by the Offer Price has been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

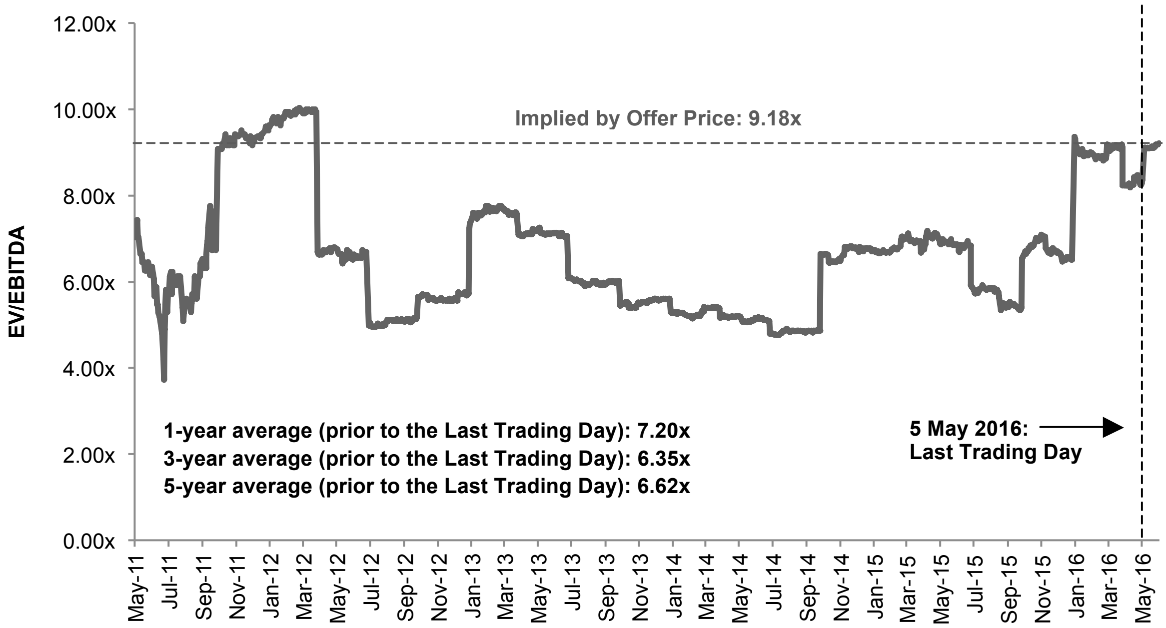
Based on the above, we note the following:

(i) At 8.24x, the EV/Sales multiple implied by the Offer Price is greater than the average historical EV/Sales multiples of the Shares for 5-year, 3-year and 1-year periods prior to Last Trading Day of 6.44x, 5.75x and 6.58x respectively; and

(ii) Post the announcement of the Offer, the EV/Sales multiple implied by the Offer Price has largely exceeded the trailing historical EV/Sales multiples of the Shares between the Offer Announcement Date and the Latest Practicable Date.

9.3.3 Trailing EV/EBITDA multiples of the Shares

We have also compared the EV/EBITDA multiple of the Shares implied by the Offer Price (based on the EBITDA of the Group as reported for the most recent twelve months prior to the Latest Practicable Date) against the trailing EV/EBITDA multiples of the Shares calculated based on the daily closing prices of the Shares and the Group's trailing twelve-month EBITDA, for the 5-year period prior to the Last Trading Day, as well as till the Latest Practicable Date. It should be noted that the Group's trailing EBITDA as at the Latest Practicable Date does not reflect the full 12-month EBITDA contributions of the Guixing, Guiyang and Yangping Expressways, the acquisitions of which were completed in September and October 2015.



Source: Bloomberg L.P. and the Company's filings

Notes:

1 EV/EBITDA multiples have been calculated based on exchange rates from Bloomberg for the relevant periods.

2 The trailing EV/EBITDA multiples of the Shares have been calculated using the issued capital of the Company which has been retrospectively adjusted for the Bonus Issue across the relevant periods

3 The Group's EBITDA for the quarter ended 31 December 2012 has been adjusted to exclude the exceptional gain relating to the Yuyao Disposal of HK$365.1 million.

4 The Group's EBITDA for the quarter ended 30 June 2014 has been adjusted to exclude the exceptional gain relating to the New Zealand Disposal of HK$66.3 million.

5 The EV/EBITDA multiple implied by the Offer Price has been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

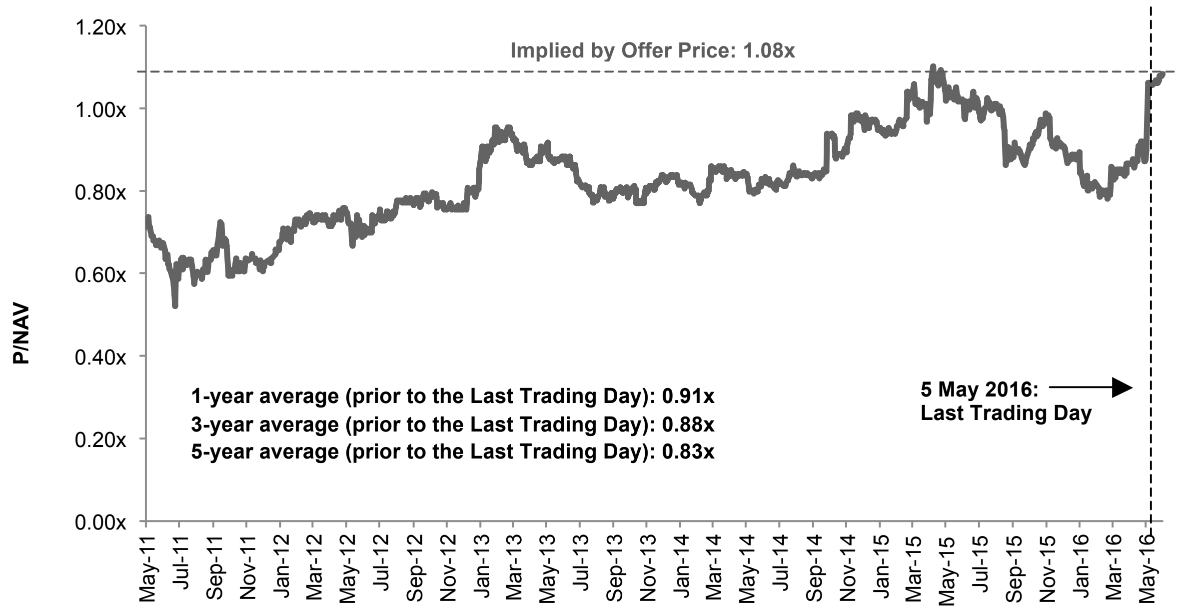
Based on the above, we note the following:

(i) At 9.18x, the EV/EBITDA multiple implied by the Offer Price is greater than the average historical EV/EBITDA multiples of the Shares for 5-year, 3-year and 1-year periods prior to Last Trading Day of 6.62x, 6.35x and 7.20x respectively; and

(ii) Post the announcement of the Offer, the EV/EBITDA multiple implied by the Offer Price has largely exceeded the trailing historical EV/EBITDA multiples of the Shares between the Offer Announcement Date and the Latest Practicable Date.

9.3.4 Trailing P/NAV multiples of the Shares

We have also compared the P/NAV of the Shares implied by the Offer Price against the trailing P/NAV multiples of the Shares over the 5-year period prior to the Last Trading Day, as well as till the Latest Practicable Date, as set out below.



Source: Bloomberg L.P and the Company's filings

Notes:

1 NAV per Share has been calculated based on exchange rates from Bloomberg L.P. for the relevant periods.

2 The NAV per Share for the relevant historical periods is calculated using the equity attributable to owners of the Company and the issued capital of the Company which has been retrospectively adjusted for the Bonus Issue across the relevant periods.

3 The P/NAV multiple implied by the Offer Price has been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

Based on the above, we note the following:

(i) At 1.08x, the P/NAV multiple implied by the Offer Price as at the Latest Practicable Date is greater than the average P/NAV multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day of 0.83x, 0.88x and 0.91x respectively; and

(ii) Post the announcement of the Offer, the P/NAV multiple implied by the Offer Price has largely exceeded the trailing historical P/NAV multiples of the Shares between the Offer Announcement Date and the Latest Practicable Date.

9.4 Valuation multiples of Comparable Companies

We have compared the valuation multiples of the Company implied by the Offer Price with those of selected listed companies, which we consider to be broadly comparable to the Company. These Comparable Companies are similarly involved in the core business of operating toll roads in the PRC.

We wish to highlight that the Comparable Companies listed below are not exhaustive and they differ from the Company in terms of, *inter alia*, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

A brief description of the Comparable Companies is set out below.

Comparable Companies	Ticker	Business Description
Jiangsu Expressway Co Ltd[1] ("**Jiangsu**")	117 HK	Constructs, operates, manages and maintains expressways in the PRC. Also provides passenger transportation and other ancillary services. Currently operates 12 toll roads and bridges in the Jiangsu province of the PRC. Based on Jiangsu's effective interests, its toll road portfolio has a combined length of 820km.
Zhejiang Expressway Co Ltd ("**Zhejiang**")	576 HK	Designs, constructs, operates, and manages high grade roads, as well as develops and operates certain ancillary services. Currently manages 4 expressways in the Zhejiang province in the PRC. Based on Zhejiang's effective interests, its toll road portfolio has a combined length of 525km.
Shandong Hi-speed Co Ltd[1] ("**Shandong**")	600350 CH	Operates and maintains toll roads, bridges, tunnels, and other infrastructure facilities. Currently manages the Jiqing Highway, the Taiqu Road, the Jinan-Huanghe Bridge, the Pingyin Bridge, and the Binzhou Bridge in the PRC.
Anhui Expressway Co Ltd[1] ("**Anhui**")	995 HK	Operates and develops toll expressways and highways in Anhui province in the PRC. Currently manages 7 expressways and 1 trunk road in the Anhui province in the PRC. Based on Anhui's effective interests, its toll road portfolio has a combined length of 459km.
Shenzhen Expressway Co Ltd[1] ("**Shenzhen**")	548 HK	Constructs, manages and operates toll highways and expressways in the PRC. Currently manages 8 toll roads/expressways in Shenzhen, 5 toll roads/expressways Guangdong and 3 other toll roads/expressways spread across the Hubei, Hunan and Jiangsu province in the PRC. Based on Shenzhen's effective interests, its toll road portfolio has a combined length of 416km.
Sichuan Expressway Co Ltd[1] ("**Sichuan**")	107 HK	Invests in, and operates infrastructure projects including toll roads, bridges, tunnels, and ancillary facilities. Currently manages 7 expressways in the Sichuan province in the PRC. Based on Sichuan's effective interests, its toll road portfolio has a combined length of 740km.
Henan Zhongyuan Expressway Co Ltd[1] ("**Henan**")	600020 CH	Finances, operates, and maintains expressways and bridges in the PRC. Currently manages the Zheng Luo Expressway and the Zhengzhou Yellow River Bridge in the PRC.
Fujian Expressway Development Co Ltd[1] ("**Fujian**")	600033 CH	Constructs, maintains, manages, and provides toll collection services. Currently manages 3 expressways within the Fujian province in the PRC.

Comparable Companies	Ticker	Business Description
Yuexiu Transport Infrastructure Ltd ("**Yuexiu**")	1052 HK	Invests in, develops, operates, and manages toll highways, expressways, and bridges in the PRC. Currently manages 6 toll roads/expressways in Guangdong and 7 other expressways spread across the Shaanxi, Guangxi, Tianjin, Hubei, Hunan and Henan province in the PRC. Based on Yuexiu's effective interests, its toll road portfolio has a combined length of 379km.
Heilongjiang Transportation[1] Development Co Ltd ("**Heilongjiang**")	601188 CH	Invests, develops, builds and operates toll roads. Currently manages the operation of Hada Expressway and service facilities along Hada Expressway in the PRC.
Huabei Expressway Co Ltd[1] ("**Huabei**")	000916 CH	Operates and manages the highway toll collection of the Jing Jin Tang Expressway in the Hebei province in the PRC.
Jilin Expressway Co Ltd[1] ("**Jilin**")	601518 CH	Invests, develops, builds and operates toll roads. Currently manages the Changping Expressway and the related service facilities along the way, as well as the Changchun Around-city Expressway in the Jilin province in the PRC.
Guangxi Wuzhou Communications Co Ltd[1] ("**Guangxi Wuzhou**")	600368 CH	Constructs and manages transportation infrastructure facilities including highways, bridges, ports, and other related facilities. Currently manages 3 toll roads and 1 bridge in Guangxi of the PRC.

Source: Bloomberg L.P., Thomson Reuters and the Comparable Companies' websites and filings

Note:

1 Based on the corporate website of China Merchants Huajian Highway Investment Co., Ltd. ("**CM Highway**"), CM Highway has investments in these listed companies. The Offeror is a wholly-owned subsidiary of Cornerstone Holdings Limited which is in turn a wholly-owned subsidiary of CM Highway.

The valuation multiples of the Comparable Companies set out below are based on their respective last transacted share prices as at the Latest Practicable Date. The valuation multiples of the Company (as implied by the Offer Price) are also set out below for comparison.

The valuation multiples of the Comparable Companies do not incorporate the premium typically required to acquire control as they reflect the traded prices of non-controlling stakes.

9.4.1 P/E multiple

		P/E		
Comparable Companies	**Market Capitalisation (S$ million)**	**LTM[1] (x)**	**FY1[2] (x)**	**FY2[2] (x)**
Jiangsu	9,047	17.1x	14.9x	13.8x
Zhejiang	5,672	8.7x	10.1x	9.5x
Shandong	5,472	8.6x	8.3x	7.5x
Anhui	3,988	8.8x	9.3x	8.9x

Comparable Companies	Market Capitalisation (S$ million)	P/E LTM[1] (x)	P/E FY1[2] (x)	P/E FY2[2] (x)
Shenzhen	3,326	8.2x	11.8x	10.9x
Sichuan	2,636	6.2x	8.9x	7.3x
Henan	2,128	8.9x	5.4x	4.2x
Fujian	1,905	15.5x	13.1x	12.6x
Yuexiu	1,529	13.1x	9.3x	9.5x
Heilongjiang	1,137	18.0x	n.a.	n.a.
Huabei	1,079	41.8x	14.6x	13.8x
Jilin	1,013	51.0x	n.a.	n.a.
Guangxi Wuzhou	869	n.m.[3]	n.a.	n.a.
Mean		**17.1x**	**10.6x**	**9.8x**
Median		**11.0x**	**9.7x**	**9.5x**
Company (implied by the Offer Price)[4]	**1,830**	**16.6x**	**15.2x[5]**	**14.2x[5]**

Source: Bloomberg L.P., Thomson Reuters, the companies' filings and CIMB's analysis

Notes:

"n.m." – Not meaningful

"n.a." – Not available

1 LTM refers to the P/E multiple using earnings over the most recent twelve months as reported by each of the respective Comparable Companies.

2 FY1 refers to the P/E multiple using analysts' consensus earnings estimates for the current financial year that is yet to be completed. FY2 refers to the P/E multiple using analysts' consensus earnings estimates for the financial year following FY1.

3 This multiple is not meaningful as it reflects negative earnings.

4 The multiples implied by the Offer Price have been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

5 As at the Latest Practicable Date, the analysts' consensus estimates of the Group's consolidated earnings per share are S$0.067 for FY2016 and S$0.072 for FY2017.

Based on the above, we note that:

(i) The LTM P/E multiple implied by the Offer Price is above the corresponding median multiple and slightly below the corresponding mean multiple of the Comparable Companies; and

(ii) The forward 1-year and 2-year P/E multiples implied by the Offer Price are significantly above the corresponding mean and median multiples of the Comparable Companies.

9.4.2 EV/Sales multiple

		EV/Sales[1]		
Comparable Companies	**Market Capitalisation (S$ million)**	**LTM[2] (x)**	**FY1[3] (x)**	**FY2[3] (x)**
Jiangsu	9,047	5.7x	5.6x	5.3x
Zhejiang	5,672	2.5x	2.8x	2.7x
Shandong	5,472	5.2x	4.6x	4.3x
Anhui	3,988	6.1x	6.4x	6.3x
Shenzhen	3,326	5.2x	4.5x	4.3x
Sichuan	2,636	2.7x	6.1x	5.6x
Henan	2,128	8.8x	n.a.	n.a.
Fujian	1,905	6.7x	6.3x	6.2x
Yuexiu	1,529	7.9x	7.3x	7.4x
Heilongjiang	1,137	10.8x	n.a.	n.a.
Huabei	1,079	5.9x	n.a.	n.a.
Jilin	1,013	13.6x	n.a.	n.a.
Guangxi Wuzhou	869	7.1x	n.a.	n.a.
Mean		**6.8x**	**5.5x**	**5.2x**
Median		**6.1x**	**5.8x**	**5.5x**
Company (implied by the Offer Price)[4]	**1,830**	**8.2x**	**7.3x[5]**	**6.8x[5]**

Source: Bloomberg L.P., Thomson Reuters, the companies' filings and CIMB's analysis

Notes:

"n.a." Not available.

1 The EV of the respective Comparable Companies were based on (i) their market capitalisation as at the Latest Practicable Date as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial statements as at the Latest Practicable Date.

2 LTM refers to the EV/Sales multiple using revenue for the most recent twelve months as reported by each of the respective Comparable Companies.

3 FY1 refers to the EV/Sales multiple using analysts' consensus revenue estimates for the current financial year that is yet to be completed. FY2 refers to the EV/Sales multiple using analysts' consensus revenue estimates for the financial year following FY1.

4 The multiples implied by the Offer Price have been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

5 As at the Latest Practicable Date, the analysts' consensus estimates of the Group's revenue are S$472.4 million for FY2016 and S$506.6 million for FY2017.

Based on the above, we note that the LTM EV/Sales, forward 1-year and 2-year EV/Sales multiples implied by the Offer Price are <u>above</u> the corresponding mean and median multiples of the Comparable Companies.

9.4.3 EV/EBITDA multiple

		EV/EBITDA[1]		
Comparable Companies	**Market Capitalisation (S$ million)**	**LTM[2] (x)**	**FY1[3] (x)**	**FY2[3] (x)**
Jiangsu	9,047	9.3x	9.0x	8.6x
Zhejiang	5,672	4.3x	5.3x	5.0x
Shandong	5,472	8.9x	n.a.	n.a.
Anhui	3,988	10.3x	10.6x	10.3x
Shenzhen	3,326	7.3x	5.9x	5.6x
Sichuan	2,636	10.9x	11.9x	10.8x
Henan	2,128	17.0x	n.a.	n.a.
Fujian	1,905	11.4x	n.a.	n.a.
Yuexiu	1,529	11.1x	9.1x	9.1x
Heilongjiang	1,137	25.2x	n.a.	n.a.
Huabei	1,079	17.3x	n.a.	n.a.
Jilin	1,013	33.5x	n.a.	n.a.
Guangxi Wuzhou	869	16.5x	n.a.	n.a.
Mean		**14.1x**	**8.6x**	**8.2x**
Median		**11.1x**	**9.0x**	**8.8x**
Company (implied by the Offer Price)[4]	**1,830**	**9.2x**	**8.6x[5]**	**8.1x[5]**

Source: Bloomberg L.P., Thomson Reuters, the companies' filings and CIMB's analysis

Notes:

"n.a." – Not available

1 The EV of the respective Comparable Companies were based on (i) their market capitalisation as at the Latest Practicable Date as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial statements as at the Latest Practicable Date.

2 LTM refers to the EV/EBITDA multiple using the EBITDA for the most recent twelve months as reported by each of the respective Comparable Companies.

3 FY1 refers to the EV/EBITDA multiple using analysts' consensus EBITDA estimates for the current financial year that is yet to be completed. FY2 refers to the EV/EBITDA multiple using analysts' consensus EBITDA estimates for the financial year following FY1.

4 The multiples implied by the Offer Price have been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

5 As at the Latest Practicable Date, the analysts' consensus estimates of the Group's EBITDA are S$400.7 million for FY2016 and S$428.6 million for FY2017.

Based on the above, we note that:

(i) The LTM EV/EBITDA multiple implied by the Offer Price is below the corresponding mean and median multiples of the Comparable Companies but nonetheless within their corresponding range of multiples; and

(ii) The forward 1-year and 2-year EV/EBITDA multiples implied by the Offer Price are in line with the corresponding mean and median multiples of the Comparable Companies.

9.4.4 P/NAV multiple

Comparable Companies	Market Capitalisation (S$ million)	P/NAV[1] (x)
Jiangsu	9,047	2.0x
Zhejiang	5,672	1.2x
Shandong	5,472	1.1x
Anhui	3,988	2.1x
Shenzhen	3,326	1.0x
Sichuan	2,636	0.9x
Henan	2,128	0.8x
Fujian	1,905	0.9x
Yuexiu	1,529	0.8x
Heilongjiang	1,137	1.5x
Huabei	1,079	1.1x
Jilin	1,013	1.7x
Guangxi Wuzhou	869	1.3x
Mean		**1.3x**
Median		**1.1x**
Company (implied by the Offer Price)[2]	**1,830**	**1.1x**

Source: Bloomberg L.P., Thomson Reuters, the companies' filings and CIMB's analysis

Notes:

1 The P/NAV multiples of the Comparable Companies were calculated based on their respective NAV as set out in their latest available financial statements as at the Latest Practicable Date.

2 The multiples implied by the Offer Price have been calculated using the undiluted share capital of the Company of 1,794,524,100 Shares.

Based on the above, we note that the P/NAV multiple implied by the Offer Price is in line with the corresponding mean and median multiples of the Comparable Companies.

9.5 Valuation multiples implied in Precedent Transactions

We have reviewed selected recent transactions involving the acquisition of equity interests in companies in the PRC that are broadly comparable to the Company, and for which information is publicly available. A comparison of the Offer against the Precedent Transactions is set out below.

Announcement date	Target	Description	P/E[1] (x)	P/RNAV[2] (x)
30-Oct-15	Shenzhen Qinglong Expressway Co., Ltd.	Acquisition of 10% equity stake in target	15.7	1.4
05-Aug-15	Zhejiang Hanghui Expressway Co., Ltd.	Acquisition of 80% equity stake in target	31.5	1.0
23-Jun-15	Guixing Expressway[3]	Acquisition of 100% equity stake in target	40.1	0.9
23-Jun-15	Guiyang Expressway[3]	Acquisition of 100% equity stake in target	10.7	1.0
23-Jun-15	Yangping Expressway[3]	Acquisition of 100% equity stake in target	n.m.[4]	1.0
21-Jul-14	Jiurui Expressway[3]	Acquisition of 100% equity stake in target	n.m.[5]	1.0
Mean			**24.5**	**1.0**
Median			**23.6**	**1.0**
Company (implied by the Offer Price based on the Last Trading Day)			**16.6**	**1.1**

Source: Bloomberg L.P., Mergermarket Limited and the companies' filings

Notes:

"n.a." – Not available or not applicable, as the case may be

1 Based on the consideration paid for the acquired equity interests in the respective targets and the earnings over the most recent twelve months prior to the acquisition announcement, as reported by each of the respective targets.

2 Based on the consideration paid for the acquired equity interests in the respective targets and the appraised independent market value of the respective targets as reported in relation to the respective acquisitions.

3 These are transactions involving the Company.

4 Negative earnings reported for FY2014.

5 Negative earnings reported for FY2013.

We wish to highlight that the Precedent Transactions differ from the Offer in terms of, *inter alia*, the characteristics of the target companies, the nature of the respective transaction and other relevant criteria. In particular, the scale of business operations and geographical coverage of operations of the respective target companies may not be directly comparable to those of the Company. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

Based on the above, we note that:

(i) The P/E multiple implied by the Offer Price is below the corresponding mean and median multiples of the Precedent Transactions but nontheless within the corresponding range of multiples; and

(ii) The P/RNAV multiple implied by the Offer Price is above the corresponding mean and median multiples of the Precedent Transactions.

9.6 Relevant previous transactions in relation to the Company

			Implied Multiples[1]			
Relevant previous transaction	**Announcement date**	**Issue Price (S$)**	**P/E (x)**	**EV/Sales (x)**	**EV/EBITDA (x)**	**P/NAV (x)**
Issuance of consideration Shares to HIAM[2,]	21-Jul-14	0.985[4]	7.5	4.5	5.1	0.9
Preferential Offering[3]	30-Jul-15	1.000[5]	10.0	5.2	5.8	1.0
Implied by the Offer Price based on the Last Trading Day		**1.02**	**16.6**	**8.2**	**9.2**	**1.1**

Source: The Company's announcements and CIMB's analysis

Notes:

1 The implied multiples in relation to the recent transactions of the Shares were computed based on the earnings, revenue and EBITDA of the Group over the most recent twelve months prior to the date of the transaction and the NAV as set out in the then latest available financial statement as at the date of the transaction.

2 On 21 July 2014, the Company announced the Jiurui Acquisition pursuant to which 119,374,987 new Shares, representing approximately 11.79% of the Company's then enlarged issued share capital, were issued to HIAM on 9 September 2014 as part consideration. The issue price of S$0.985 per consideration share represented a premium of 8.1% over the VWAP of S$0.911 per share as at 18 July 2014.

3 On 23 September 2015, the Company announced that it had received valid acceptances of 1,130,682 new Shares from Shareholders other than the Offeror which represented 0.52% of such Shareholders' total pro-rata entitlements under the Preferential Offering and as a result of the Preferential Offering, the Offeror had increased its shareholding in the Company from 63.93% to 75.88%.

4 When adjusted for the Preferential Offering, the issue price of the consideration shares issued to HIAM would be S$0.937.

5 The issue price under the Preferential Offering of S$1.00 for each new Share represented a discount of approximately 1.5% to the closing price of S$1.015 per Share on 30 July 2015.

Based on the above, we note that the P/E, EV/Sales, EV/EBITDA and P/NAV multiples implied by the Offer Price are above the corresponding multiples of the relevant previous transactions in relation to the Company.

9.7 Premia/Discounts paid in Precedent Takeovers

We note that it is the intention of the Offeror to make the Company its wholly-owned subsidiary and that the Offeror does not intend to maintain the listing status of the Company. In this regard and for the purpose of providing an illustrative guide as to how the financial terms of the Offer compare relative to other delistings and successful privatisations, we have compared the financial terms of the Offer with those of recent successful privatisations and delistings of companies listed on the SGX-ST over the period beginning 1 January 2013 to the Latest Practicable Date.

We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in the Precedent Takeovers set out in the analysis below are not directly comparable with the Company in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policies, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Offer with the Precedent Takeovers set out below is for illustrative purposes only. Any conclusions drawn from the comparisons made may not reflect any perceived valuation of the Company.

A summary of the relevant financial terms of the Precedent Takeovers is set out below.

		Offer price implied premium over / (discount to)		
Company	Announcement date	Closing share price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)
Delistings				
Hup Soon Global Corporation Limited	08-Feb-13	0.0	(3.0)	1.0
Pan Pacific Hotels Group Limited	10-May-13	9.0	8.2	6.1
Armstrong Industrial Corporation Limited	05-Jul-13	11.1	14.0	17.0
Pertama Holdings Limited	08-Jul-13	25.0	33.4	20.7
Superior Multi-Packaging Limited	06-Sep-13	0.0	0.5	10.8
Consciencefood Holding Limited	28-Sep-13	23.5	23.3	18.0
Medi-Flex Limited	11-Oct-13	15.4	21.0	27.1
China Energy Limited	11-Nov-13	(14.8)[5]	(13.0)[5]	(20.6)[5]
WBL Corporation Limited	19-Nov-13	27.5	26.2	24.3
Malacca Trust Limited	23-Dec-13	15.4	15.4	15.4
Chemoil Energy Limited	25-Feb-14	29.0	31.1	32.5
Asia Power Corporation Limited	24-Mar-14	0.0	1.2	1.4
China XLX Fertiliser Limited	31-Mar-14	23.1	28.9	24.8
Action Asia Limited	27-Feb-15	69.6	67.6	66.7
Junma Tyre Cord Company Limited	10-Mar-15	222.6[5]	162.3[5]	174.7[5]
Eastern Holdings Ltd	22-Sep-15	41.7	67.3	34.1
Zagro Asia Limited	03-Nov-15	15.4	19.0	20.0
Sinotel Technologies Ltd.	30-Nov-15	50.6	30.6	45.5
Privatisations				
PCA Technology Limited	01-Feb-13	11.1	1.4	13.5
Tsit Wing International Holdings Limited	11-Jun-13	36.7	36.7	36.2
Guthrie GTS Limited	21-Jun-13	21.4	21.9	19.7
Food Junction Holdings Limited	24-Jun-13	40.1	37.8	37.1
Viz Brand Limited[1]	05-Jul-13	15.0	17.9	17.4
Berger International Limited	21-Aug-13	78.6	67.8	86.6
Superbowl Holdings Limited	07-Oct-13	15.4	34.9	41.0
People's Food Holdings Limited	19-Oct-13	2.6	4.2	10.0

Company	Announcement date	Offer price implied premium over / (discount to)		
		Closing share price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)
Singapore Land Limited	24-Feb-14	11.2	16.9	13.9
CapitaMalls Asia Limited[2]	14-Apr-14	30.2	34.4	32.8
ASJ Holdings Limited	07-May-14	18.2	43.7	55.4
Goodpack Limited	27-May-14	23.2	30.8	31.3
Lee Kim Tah Holdings Limited	25-Sep-14	6.4	11.8	12.3
UE E&C Ltd.	03-Oct-14	(2.3)	2.7	5.0
ECS Holdings Limited	14-Nov-14	11.5	9.0	11.5
euNetworks Group Limited	17-Nov-14	32.6	58.4	69.2
STATS ChipPAC Ltd.	29-Dec-14	39.0	24.5	27.6
Popular Holdings Limited	14-Jan-15	39.1	39.7	37.3
Keppel Land Limited	23-Jan-15	20.0	25.0	28.8
Lizhong Wheel Group Limited	17-Aug-15	96.1	87.3	79.2
Chosen Holdings Limited	01-Sep-15	21.0	26.0	27.0
Li Heng Chemical Fibre Technologies Limited	22-Dec-15	115.1[5]	100.8[5]	104.5[5]
Interplex Holdings Ltd.	23-Dec-15	15.5	11.1	13.1
Tiger Airways Holding Limited[3]	04-Jan-16	45.2	48.5	56.3
Starland Holdings Limited	13-Jan-16	25.5	45.7	60.5
China Yongsheng Limited	24-Feb-16	52.4	67.4	62.4
Xinren Aluminium Holdings Limited	25-Feb-16	31.3	49.6	50.0
OSIM International Ltd[4]	07-Mar-16	27.0	40.9	42.5
High (Overall)		96.1	87.3	86.6
Low (Overall)		(2.3)	(3.0)	1.0
Mean (Overall)		26.1	29.8	31.2
Median (Overall)		23.1	26.2	27.1
The Company (implied by the Offer Price)		**22.9[6]**	**21.8**	**25.3**

Source: Bloomberg L.P. and the companies' offer documents and circulars

Notes:

1 Based on the revised offer price of S$0.815 per share.

2 Based on the revised offer price of S$2.35 per share.

3 Based on the revised offer price of S$0.45 per share.

4 Based on the revised offer price of S$1.41 per share.

5 Excluded as statistical outliers in the high, low, mean and median computation.

6 Based on the closing price of S$0.830 per share on the Last Trading Day.

Based on the above, we note that:

(i) The market price premium implied by the Offer Price when compared against the closing Share price prior to announcement is below the corresponding overall mean premia but in line the corresponding overall median of the Precedent Takeovers; and

(ii) The market price premia implied by the Offer Price when compared against the 1-month and 3-month VWAPs prior to announcement are below the corresponding overall mean and median premia of the Precedent Takeovers but nonetheless well within range of these premia.

We note that the Offeror held 75.88% of the total issued Shares immediately prior to the making of the Offer and based on the Offer Price, the Company is valued at approximately S$1.830 billion. A comparison of the financial terms of the Offer against those of selected Precedent Takeovers where the targets were valued in excess of S$1.5 billion and where the offeror also controlled more than 50% of the voting rights in the target prior to the offer is set out below.

			Offer price implied premium over		
Company	**Valuation based on offer price (S$ million)**	**Offeror's stake prior to making of offer**	**Closing share price prior to announcement (%)**	**1-month VWAP prior to announcement (%)**	**3-month VWAP prior to announcement (%)**
Pan Pacific Hotels Group Limited	1,530	81.6%	9.0	8.2	6.1
Singapore Land Limited	3,877	59.6%	11.2	16.9	13.9
CapitaMalls Asia Limited	9,160	65.3%	30.2	34.4	32.8
Keppel Land Limited	6,768	54.6%	20.0	25.0	28.8
High			30.2	34.4	32.8
Low			9.0	8.2	6.1
Mean			17.6	21.1	20.4
Median			15.6	21.0	21.4
The Company (implied by the Offer Price)	**1,830**	**75.9%**	**22.9**	**21.8**	**25.3**

Based on the above, we note that the market price premiums implied by the Offer Price when compared against the closing Share price, 1-month VWAP and 3-month VWAP prior to announcement are above the corresponding mean and median premia of these selected Precedent Takeovers.

9.8 Analysts' price targets for the Shares

We have compared recent research reports by analysts in relation to the Company as compiled by Bloomberg L.P.. The table below summarises the key points of the various research reports.

Analysts' price targets for the Company as at:	Last Trading Day		
	Date	Rating	Target price (S$)
CIMB Research Pte. Ltd.	1 May 2016	Add	0.94
DBS	29 April 2016	Buy	1.25
Mean			**1.095**

Source: Bloomberg L.P.

Based on the above, we note that the Offer Price is at a slight discount of 6.8% to the mean of the target price estimates by CIMB Research Pte. Ltd. and DBS.

We wish to highlight that the research reports may not be exhaustive and the estimated target prices for the Shares and other statements or opinions in these reports represent the individual views of the respective analysts (and not those of CIMB in its capacity as independent financial adviser for the purposes of this letter) based on the circumstances (including, *inter alia*, market, economic, industry and monetary conditions as well as market sentiment and investor perceptions regarding the future prospects of the Company) prevailing at the date of the publication of the respective analyst research reports. The opinions of the analysts may change over time as a result of, *inter alia*, changes in market conditions, the Company's corporate developments and the emergence of new information relevant to the Company.

9.9 Dividend track record of the Company

In assessing the Offer Price, we have considered the dividend track record of the Company and the dividend yield of the Shares implied by the Offer Price relative to alternative investments.

The dividends declared by the Company in respect of the last five financial years prior to the Latest Practicable Date are set out below.

	FY2011	FY2012	FY2013	FY2014	FY2015
Interim dividend per Share (S$)	0.025	0.0275	0.0275	0.035	0.035
Final dividend per Share (S$)	0.03	0.0275	0.0425	0.035	0.035
Total dividend per Share (S$)	0.0550	0.0550	0.0700	0.0700	0.0700
Share price[1] (S$)	0.6667	0.8905	0.9095	1.0905	0.855
Dividend payout ratio (%)	73%	89%	54%	63%	96%
Dividend yield[2] (%)	8.2%	6.2%	7.7%	6.4%	8.2%
Dividend yield (%) (implied by the Offer Price)	**5.4%**	**5.4%**	**6.9%**	**6.9%**	**6.9%**

Source: Bloomberg L.P, the Company's annual reports and presentations slides and CIMB's analysis

Notes:

1 Closing price of the Shares as at the last cum-dividend date.

2 Computed as total dividend per Share divided by the respective Share price.

In the Company's annual report for FY2015, it was stated that the Company aims to maintain a stable dividend payout to Shareholders with a long term commitment to an annual payout ratio of at least 50% of the underlying net profit.

From the table above, we note that the Company has a consistent record of paying dividends with total dividend ranging from S$0.055 to S$0.0700 per Share from FY2011 to FY2015 and dividend yield ranging from approximately 6.2% to 8.2% over the same period. The range of the Company's dividend yield implied by the Offer Price over the same period would have been approximately 5.4% to 6.9%.

We note that although the Company has consistently declared dividends in each financial year between FY2011 to FY2015, there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in previous periods. As such, the quantum of dividends paid by the Company in any year would depend on various factors including but not limited to the financial performance of the Group, its working capital and capital expenditure needs as well as other considerations.

Investment in selected alternative investments

Shareholders who accept the Offer have the ability to re-invest the proceeds from the Offer in selected alternative equity investments including the equity of the Comparable Companies. In this regard, we note that several of the Comparable Companies had paid dividends in respect of their last financial year, as set out in the table below.

Comparable Companies	**Prevailing dividend yield (%)**
Zhejiang	5.6%
Yuexiu	5.4%
Jiangsu	4.4%
Shenzhen	4.2%
Shandong	3.6%
Fujian	3.0%
Henan	2.6%
Jilin	1.7%
Heilongjiang	1.7%
Huabei	1.7%
Anhui	1.6%
Sichuan	1.6%
Guangxi	0.0%
Mean	**2.9%**
Median	**2.6%**

Source: Thomson Reuters

We note that few Comparable Companies provide dividend yields close to that of the Company as implied by the Offer Price. This is on the assumption that the Comparable Companies that have paid dividends in their respective most recent financial years maintain their respective dividend yields at the same levels as illustrated above. On the surface of the above-mentioned analysis, it would appear that Shareholders who accept the Offer may not be able to achieve comparable dividend yields as they would if they were not to accept the Offer, assuming they re-invest their proceeds from the Offer in the shares of certain of the Comparable Companies. As mentioned above, there is also no assurance that the Company or any of the above Comparable Companies will continue to pay dividends in the future or maintain the level of dividends paid in previous periods.

Shareholders who accept the Offer also have the ability to re-invest proceeds from the Offer in broad market index instruments that replicate the performance of the FSSTI or the Straits Time Real Estate Investment Trust Index ("**FSTREI**"). The dividend yields exhibited by such broad market index instruments in respect of the most recent financial year are set out in the table below.

	Prevailing dividend yield (%)
Index	
FSSTI	4.0%
FSTREI	6.1%
Mean	**5.1%**
Median	**5.1%**

Source: Bloomberg L.P.

From the above, we note that both the FSSTI and FSTREI exhibit dividend yields that are lower than that of the Shares as implied by the Offer Price.

On the surface of the above-mentioned analysis, it would appear that Shareholders who accept the Offer may not be able to achieve comparable dividend yields as they would if they were not to accept the Offer, assuming they re-invest their proceeds from the Offer into the above-mentioned alternative investments.

Shareholders should note that the Offeror already possesses statutory control of the Company which would entitle it to alter the Company's dividend policy going forward.

9.10 The Group's historical financial performance and financial position and outlook

9.10.1 Financial performance and position

A summary of the financial performance of the Group between FY2013 and FY2015 and for the first quarter ended 31 March 2015 ("**1QFY2015**") and the first quarter ended 31 March 2016 ("**1QFY2016**") is set out below.

(HK$'000)	**FY2013 (Audited)**	**FY2014 (Audited)**	**FY2015 (Audited)**	**1QFY2015 (Unaudited)**	**1QFY2016 (Unaudited)**
Revenue	1,886,260	2,019,494	2,207,801	494,274	634,672
Profit attributable to the owners of the Company	613,702	673,096[1]	597,221	142,259	164,058
Net profit margin[2] (%)	*32.5%*	*33.3%*	*27.1%*	*28.8%*	*25.8%*

A summary of the financial position of the Group as at 31 December 2013, 31 December 2014, 31 December 2015, 31 March 2015 and 31 March 2016 is set out below.

(HK$'000)	31 December 2013 (Audited)	31 December 2014 (Audited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)	31 March 2016 (Unaudited)
Total assets	13,431,770	15,591,154	25,193,373	15,831,651	25,371,431
Cash and cash equivalents	1,448,299	1,049,178	2,143,557	1,359,009	2,353,223
Total borrowings	3,668,205	4,247,038	9,313,538	4,092,863	8,984,068
NAV	5,108,604	6,307,744[1]	9,546,095	6,563,908	9,768,727
Total equity	7,760,797	8,929,794	12,157,255	9,192,834	12,484,842
Net debt to equity[3]	0.29x	0.36x	0.59x	0.30x	0.53x
*Return on equity ("**ROE**")*[4]	12.7%	11.8%	7.5%	n.m.	n.m.

Source: The Company's filings

Notes:

"n.m." – Not meaningful

1 Profit attributable to the owners of the Company for FY2014 and equity attributable to owners of the Company as at 31 December 2014 have been adjusted to exclude the exceptional gain relating to the New Zealand Disposal of HK$66.3 million recognised in the quarter ended 30 June 2014.

2 Net profit margin is calculated as profit attributable to the owners of the Company divided by the revenue for the relevant financial year / period.

3 Net debt to equity is calculated as total borrowings less cash and cash equivalents, divided by total equity.

4 ROE is calculated as the profit attributable to the owners of the Company divided by the average NAV for the period.

Revenue

The Group's revenue increased by approximately 7.1% from HK$1,886.3 million in FY2013 to HK$2,019.5 million in FY2014, and by approximately 9.3% to HK$2,207.8 million in FY2015. This translates to an overall increase of approximately 17.0% between FY2013 and FY2015. Revenue growth between FY2013 and FY2014 was largely attributable to the revenue growth of Yongtaiwen Expressway and the consolidation of Jiurui Expressway while the revenue growth for FY2015 was largely driven by the revenue contribution from three Guangxi Expressways acquired in September 2015 and October 2015 respectively.

Compared to 1QFY2015, the Group's revenue in 1QFY2016 increased by approximately 28.4% from HK$494.3 million to HK$634.7 million. The revenue growth was largely attributable to the consolidation of revenue from three Guangxi Expressways, revenue growth of Yongtaiwen Expressway and Beilun Port Expressway as a result of traffic flow increase.

Profit attributable to the owners of the Company and net profit margin

Profit attributable to owners of the Company increased by approximately 9.7% from HK$613.7 million in FY2013 to HK$673.1 million in FY2014, after having deducted the one-off gain relating to the New Zealand Disposal of HK$66.3 million recognised in FY2014, but decreased by approximately 11.3% to HK$597.2 million in FY2015. This translates to an overall decrease of approximately 2.7% between FY2013 and FY2015. The Group's net profit margin, after adjusting for the exceptional gain relating to the New Zealand Disposal, increased from 32.5% in FY2013 to 33.3% in FY2014, but subsequently declined to 27.1% in FY2015.

Compared to 1QFY2015, profit attributable to the owners of the Company in 1QFY2016 increased by approximately 15.3% from HK$142.3 million to HK$164.1 million. This translates to net profit margins of 28.8% and 25.8% for 1QFY2015 and 1QFY2016 respectively.

NAV

The Group's NAV increased by approximately 91.2% from HK$5,108.6 million in FY2013 to HK$9,768.7 million in 1QFY2016.

Net debt to equity

The Group's net debt to equity ratio increased from 0.29 times as at 31 December 2013 to 0.53 times as at 31 March 2016.

ROE

The Group's ROE declined from 12.7% in FY2013 to 11.8% in FY2014, after excluding the one-off gain relating to the New Zealand Disposal of HK$66.3 million recognised in FY2014, then further declined to 7.5% in FY2015.

Outlook

We wish to draw the attention of Shareholders to the Statements of Prospects disclosed in paragraph 9 of Appendix 2 and Appendix 6 of the Circular. Shareholders are advised to read these carefully and take note of any further announcement(s) relevant to their consideration of the Offer which may be released after the Latest Practicable Date.

9.11 Other relevant considerations which have a bearing on our assessment

9.11.1 Listing status, compulsory acquisition and Offeror's intentions

Listing status

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 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.

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.

Offeror's intentions for the Company

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 ("**Voluntary Delisting**").

In the event that the Offer lapses, Shareholders should note that the Offeror retains the ability to seek the Voluntary Delisting pursuant to Rules 1307 and 1309 of the Listing Manual. Under Rule 1307 of the Listing Manual, the SGX-ST may agree to an application for the Company to delist from the Official List of the SGX-ST if the Company convenes an extraordinary general meeting to obtain approval from the Shareholders for the delisting, and the resolution is: (i) passed by a majority of at least 75 per cent. of the total number of issued Shares held by Shareholders present and voting on a poll; and (ii) not voted against by 10 per cent. or more of the total number of issued Shares held by Shareholders present and voting on a poll. The Directors and controlling Shareholders of the Company, including the Offeror and its concert parties, are not required to abstain from voting on such delisting resolution.

Shareholders should note that as the Offeror holds 78.49% of the total number of issued Shares as at the Latest Practicable Date and is not precluded from voting on any delisting resolution, it would be in a strong position to support the necessary Shareholders' resolution required to pursue the Voluntary Delisting.

Implications of unlisted Shares for Shareholders

In the event that the Shares are delisted, Shareholders who do not accept the Offer will have limited options to sell their Shares due to the absence of a public market for the Shares. Shareholders should note that shares of unlisted companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. In addition, shareholders of unlisted companies do not benefit from the more stringent corporate governance standards required of publicly listed companies, an example of which is the presence of independent directors on the board whose duties include the safeguarding of minority shareholders' interests.

9.11.2 No alternative offer

As at the Latest Practicable Date, there is no publicly available evidence of any alternative offer for the Shares.

9.11.3 Irrevocable undertaking

We note that HIAM has irrevocably undertaken to accept the Offer in relation to its 125,343,736 Shares representing approximately 6.98% of the total Shares outstanding as at the Latest Practicable Date. Shareholders should note that when combined with the Offeror's holdings of 1,408,545,193 Shares representing approximately 78.49% of the total Shares outstanding as at the Latest Practicable Date, the irrevocable undertaking implies that the Offeror is significantly closer to achieving the Acceptance Condition as compared to from the outset of the Offer. We also note that 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 SIC.

9.11.4 Offeror's future plans for the Group

As stated in the Offer Document, the Offeror does not currently have any intentions to (i) make any major changes to the business of the Company (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of the existing employees of the Group.

9.11.5 Conditional waiver of right of first refusal with respect to Guilin Expressway Co

As announced in the Company on 4 March 2014, CM Highway had undertaken to the Company that, in the event that: (i) CM Highway intends to acquire an interest in, or has access to, any opportunity to acquire the interest of any kind in the business of holding concession(s) for, or for developing, building, owning or operating, toll roads; and/or (ii) CM Highway intends to dispose of an interest of any kind in the business of holding concession(s) for, or for developing, building, owning or operating, toll roads, then the Company shall have a right of first refusal to participate in such business opportunity or business disposal ("**Right of First Refusal**").

On 27 May 2016, the Company announced that it understood from CM Highway that CM Highway was in discussion with Faithful Investments Limited (the "**Vendor**") to acquire HKC Guilin Expressway Limited ("**Guilin Expressway Co**") which wholly owns Guilin Gang Jian Expressway Limited, which in turn owns the right to operate Guilin Linsan Expressway, a 42 kilometres expressway located in the Guangxi Zhuang Autonomous Region of the PRC (the "**Guilin Expressway**") and that a deadline was imposed by the Vendor that any agreement in relation to the sale and purchase of Guilin Expressway Co should be signed by 31 May 2016.

At the request of CM Highway, the Company agreed to waive the Right of First Refusal (the "**Conditional Waiver**") with respect to Guilin Expressway Co, having considered *inter alia* that:

(i) the Vendor had imposed a deadline of 31 May 2016 for signing of the sale and purchase agreement;

(ii) the Company is currently in the Offer period; and

(iii) the regulatory consultations and confirmations required for the acquisition of Guilin Expressway Co by the Company may not be completed or obtained before the deadline imposed by the Vendor.

In connection with the Conditional Waiver, CM Highway executed an irrevocable deed of undertaking in favour of the Company pursuant to which CM Highway had agreed and irrevocably undertaken to the Company that upon the occurrence of any of the following events:

(i) if the Offer lapses, is withdrawn or is not successful for whatever reason; or

(ii) if the Company remains a company listed on the SGX-ST following the close, the lapse or the withdrawal of the Offer,

the Company shall be entitled (but shall not be obliged) to require CM Highway to sell and transfer Guilin Expressway Co (including, but not limited to, the rights to operate the Guilin Expressway) to the Company or its nominee at the same purchase consideration at which CM Highway acquired Guilin Expressway Co from the Vendor. Any decision with respect to the purchase of Guilin Expressway Co shall ultimately be made by the Company at its sole and absolute discretion after having evaluated the target asset and the business conditions at the relevant time.

Shareholders should note that as at the Latest Practicable Date, the Company has not made any decision with respect to the purchase of Guilin Expressway Co and it is impracticable to assess the potential impact (if any) of such purchase on the Group due to the absence of relevant information on the assets as at the Latest Practicable Date.

9.11.6 Restrictions following the Offer

Pursuant to Rule 33.1 of the Code, in the event that the Offer does not become unconditional in all respects and is withdrawn or lapses, neither the Offeror, any persons who acted in concert with it in the course of the Offer nor any person who is subsequently acting in concert with any of them may within 12 months from the date on which the Offer is withdrawn or lapses: (i) announce an offer or possible offer for the Company; or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 14 of the Code to make an offer.

Shareholders should note that the Offeror has stated that it reserves the right to reduce the Acceptance Condition and thereby declaring the Offer unconditional. In such an event or in the event that the Acceptance Condition is satisfied, under Rule 33.2 of the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with the Offeror may, within 6 months of the close of the Offer, make a second offer to or acquire any Shares from any Shareholder on terms better than those made available under the Offer.

In the event that the Offer does not become unconditional, unless the consent of the SIC is granted, the Offeror would have to wait a period of 12 months after the close of the Offer before it may seek the Voluntary Delisting and make an exit offer for the Shares.

In the event that the Offeror reduces or waives the Acceptance Condition or in the event that the Acceptance Condition is satisfied and the Offer becomes unconditional, unless the consent of the SIC is granted, the Offeror would have to make an exit offer for the Shares at the same price as the Offer Price if it seeks the Voluntary Delisting within 6 months of the close of the Offer.

9.11.7 Control of the Company

As at the Latest Practicable Date, the Offeror owns approximately 78.49% of the total number of issued Shares in the Company. Accordingly, the Offeror already possesses statutory control of the Company which entitles it to pass all ordinary resolutions on matters in which the Offeror and its concert parties do not have an interest, at general meetings of Shareholders including resolutions on dividend payments by the Company. In addition, the Offeror is not precluded from voting on any delisting resolution

10. FINANCIAL EVALUATION OF THE TERMS OF THE CONVERTIBLE BONDS OFFER

Methodology

In analysing the Convertible Bonds Offer, we have assessed the Convertible Bonds Offer Price, which is a fixed "see-through" price. The Convertible Bonds Offer Price is determined based on 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.

In evaluating the Convertible Bonds Offer, we have assessed the Convertible Bonds Offer Price against the following:

(i) The historical quoted prices of the Convertible Bonds on the SGX-ST;

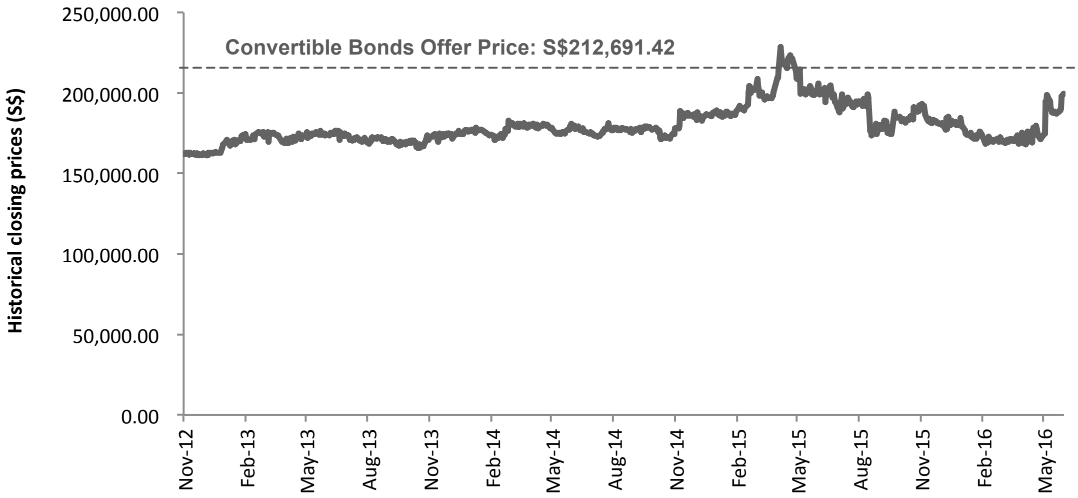
(ii) The theoretical value of the Convertible Bonds assuming held to maturity;

(iii) The potential absolute proceeds receivable by Bondholders assuming held to maturity; and

(iv) Other relevant considerations which have a bearing on our assessment.

10.1 Historical quoted prices of the Convertible Bonds

We have compared the Convertible Bonds Offer Price to the historical quoted prices of the Convertible Bonds from the date of their listing on 7 November 2012 to the Latest Practicable Date.



Source: Bloomberg L.P.

Note:

1 In deriving the historical quoted prices for the Convertible Bonds, historical daily exchange rates were applied to the Convertible Bonds denominated in value of HK$1,000,000 in order to derive a S$ equivalent.

We note from the above that:

(i) The Convertible Bonds have generally been quoted at significant discounts to the Convertible Bonds Offer Price since their listing date;

(ii) Over the 12-month period prior to the Last Trading Day, the quoted price of the Convertible Bonds ranged from S$168,021 to S$214,501; and

(iii) Between the Last Trading Day and the Latest Practicable Date, the quoted price of the Convertible Bonds ranged between S$173,821 to S$199,546.

We set out in the table below a comparison of the Convertible Bonds Offer Price against the averages of the historical quoted prices of the Convertible Bonds for several periods prior to the Last Trading Day.

Periods prior to the Last Trading Day	Average price (S$)	Premium over average price (%)
Last 1 year	184,013.55	15.6%
Last 6 months	176,099.23	20.8%
Last 3 months	171,672.24	23.9%
Last 1 month	173,472.47	22.6%
Last quoted price on the Last Trading Day	172,474.53	23.3%
Last quoted price on the Latest Practicable Date	199,546.23	6.6%

Source: Bloomberg L.P.

Note:

1 In deriving the historical quoted prices for the Convertible Bonds, historical daily exchange rates were applied to the Convertible Bonds denominated in value of HK$1,000,000 in order to derive a S$ equivalent.

We note from the above that:

(i) The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 15.6%, 20.8%, 23.9% and 22.6%, respectively, to the average last quoted prices of the Convertible Bonds in the 1-month, 3-month, 6-month and 12-month periods preceding and including the Last Trading Day; and

(ii) The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 6.6% to the Convertible Bonds last quoted price of S$199,546 as at the Latest Practicable Date.

10.2 Theoretical value of the Convertible Bonds assuming held to maturity

Based on the Company's offering circular dated 31 October 2012 in relation to the issuance of the Convertible Bonds (the "**Offering Circular**"), if held to maturity on 6 November 2017, the Convertible Bonds will be redeemed by the Company at 100 per cent. of their principal amount. We have discounted the principal amount payable upon maturity and the remaining interest payments due on 6 November 2016, 6 May 2017 and 6 November 2017 to arrive at an estimated present value for the Convertible Bonds. The table below sets out the key assumptions that have been applied.

Parameters	Assumptions	Basis for assumptions
Principal amount	HK$1,000,000	Denomination of the Convertible Bonds
Maturity date	6 November 2017	Based on the Offering Circular
Remaining interest payments	6 November 2016, 6 May 2017 and 6 November 2017	Based on the Offering Circular
Interest rate	1.25% per annum payable semi-annually in arrear	Based on the Offering Circular
Discount rate	1.05%	Aggregate of the 18-mth HK$ swap rate of 0.92% and the default spread in respect of the Company of 0.13%
S$/HK$ exchange rate	5.7077	Closing exchange rate as at the Latest Practicable Date

Source: Bloomberg L.P., the Offering Circular and CIMB's analysis

Based on the above-mentioned assumptions, the estimated present value for HK$1,000,000 principal amount of the Convertible Bonds would be S$175,882. The Convertible Bonds Offer Price represents a premium of 20.9% over this estimated theoretical value.

It should be noted that the estimated theoretical value of the Convertible Bonds may not reflect the actual price of the Convertible Bonds which may be transacted in the market, and there can be no assurance that an active trading of the Convertible Bonds will ensue at or close to such estimated theoretical value.

10.3 Potential absolute proceeds to Bondholders assuming held to maturity

In lieu of accepting the Convertible Bonds Offer at the Convertible Bonds Offer Price of S$212,691.42, Bondholders have the alternative option of holding on to their Convertible Bonds and receiving the scheduled interest and principal payments per the terms and conditions of the Convertible Bonds. Under this scenario and assuming a Bondholder holds Convertible Bonds in the principal amount of HK$1,000,000, such a Bondholder would expect to receive approximately HK$1,018,692 in absolute proceeds till the maturity of the Convertible Bonds, comprising HK$18,692 from the remaining three (3) interest payments as well as HK$1,000,000 in returned principal.

We note that at the S$/HK$ exchange rate of 5.7077 as at the Latest Practicable Date, the aforementioned absolute proceeds would be equivalent to S$178,477, which is significantly lower than the Convertible Bonds Offer Price.

Nevertheless, Bondholders should note that above analysis is illustrative only and that the S$ equivalent of absolute proceeds received in the abovementioned scenario will be subject to uncertainty in the S$/HK$ exchange rate.

10.4 Other relevant considerations

10.4.1 Condition of the Convertible Bonds Offer

The Convertible Bonds Offer is conditional upon the Offer being declared unconditional in all respects. Bondholders who choose to accept the Convertible Bonds Offer should therefore note that there is no certainty that they will receive the Convertible Bonds Offer Price unless the Offer is declared unconditional in all respects.

10.4.2 Credit risk of the Company

We note that the Convertible Bonds Offer provides Bondholders with the ability to immediately monetise their investment. Following the close of the Convertible Bonds Offer, Bondholders who do not accept the Convertible Bonds Offer or convert their Convertible Bonds into Shares will continue to be exposed to the credit risk of the Company.

10.4.3 Redemption at the option of Bondholders

Based on the Offering Circular, a Bondholder had the option to require the Company to redeem all or some only of such Bondholders' Convertible Bonds on 6 November 2015 (the "**Put Option Date**") at 100 per cent. of their principal amount together with accrued but unpaid interest (calculated up to but excluding the date of redemption). We note that the Put Option Date had already passed.

Based on the Offering Circular, in the event of a delisting of the Company, a Bondholder has the right to require the Company to redeem all (but not some only) of such holder's Convertible Bonds at 100 per cent. of their principal amount together with accrued but unpaid interest (calculated up to but excluding the date of redemption).

10.4.4 Redemption at the option of the Company

Based on the Offering Circular, the Company may at any time, on giving not less than 30 days nor more than 60 days' notice to the Bondholders, redeem all, but not some only, of the Convertible Bonds for the time being outstanding at 100 per cent, of their principal amount together with accrued but unpaid interest (calculated up to but excluding the date of redemption) on the date fixed for redemption, provided that prior to the date of such notice, at least 90 per cent. in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Company had originally issued an aggregate of HK$1,163,000,000 in principal amount of Convertible Bonds. As at the Latest Practicable Date, HK$150,000,000 in principal amount of the Convertible Bonds remains outstanding, representing approximately 12.9% of the principal amount of the Convertible Bonds originally issued.

10.4.5 Compulsory acquisition

As mentioned in Section 12 of the Offer Document, 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 dissenting Convertible Bondholders at a price equal to the Convertible Bonds Offer Price.

10.4.6 Convertible Bonds remain convertible till maturity

Subject to the Convertible Bonds not having been redeemed by the Company or compulsorily acquired by the Offeror, the Convertible Bonds remain convertible into Shares until their maturity. If Bondholders convert their Convertible Bonds into Shares prior to the close of the Offer, they may then, as Shareholders, make assessments of the merits of the Offer taking into consideration the analysis set out in this letter.

Based on the Fixed Exchange Rate of S$1.00 to HK$6.3351 and the Prevailing Conversion Price of S$0.757 per Share, the Convertible Bonds which are outstanding as at the Latest Practicable Date of principal amount of HK$150,000,000 are convertible into 31,278,210 Shares, representing approximately 1.71% of the Company's enlarged issued share capital as at the Latest Practicable Date.

11. SUMMARY OF OUR ANALYSIS

11.1 The Offer

In arriving at our advice to the Independent Directors on the Offer, we have considered, *inter alia*, the following factors which should be read in the context of the full text of this letter:

(i) The Shares have generally traded below the Offer Price in the 5-year period prior to the Last Trading Day.

(ii) Between the Last Trading Day and 30 May 2016 and prior to the Offeror's acquisition of Shares from 31 May 2016, the Shares have not closed at or above the Offer Price. As at the Latest Practicable Date, the closing price of the Shares at S$1.025 was slightly above the Offer Price.

(iii) Between the Last Trading Day and the Latest Practicable Date, only 1,184,100 shares were transacted above the Offer Price and these accounted for approximately 0.9% of the 125,917,100 shares traded during the same period.

(iv) The Shares have traded within a VWAP band of S$0.814 to S$0.948 over the 5-year period prior to the Last Trading Day. During the most recent 6 months prior to the Last Trading Day, the Offer Price represents a premium of between 20.2% to 25.3% over the various VWAPs.

(v) The Share price appears to be supported by the Offer as at the Latest Practicable Date and it is possible that the market price and trading volume of the Shares may not be maintained at such levels after the close of the Offer.

(vi) The Offer Price represents a premium of approximately 7.8% over the NAV per Share of S$0.95 as at 31 March 2016 and a premium of approximately 13.5% over the RNAV per Share of S$0.90 as at 31 March 2016.

(vii) The trailing P/E multiple implied by the Offer Price is greater than the average historical P/E multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical P/E multiples between the Offer Announcement Date and the Latest Practicable Date.

(viii) The trailing EV/Sales multiple implied by the Offer Price is greater than the average historical EV/Sales multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical EV/Sales multiples between the Offer Announcement Date and the Latest Practicable Date.

(ix) The trailing EV/EBITDA multiple implied by the Offer Price is greater than the average historical EV/EBITDA multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical EV/EBITDA multiples between the Offer Announcement Date and the Latest Practicable Date.

(x) The trailing P/NAV multiple implied by the Offer Price is greater than the average historical P/NAV multiples of the Shares for the 5-year, 3-year and 1-year periods prior to the Last Trading Day, and has also largely exceeded the trailing historical P/NAV multiples between the Offer Announcement Date and the Latest Practicable Date.

(xi) The LTM P/E multiple implied by the Offer Price is above the corresponding median multiple and slightly below the corresponding mean multiple of the Comparable Companies. The forward 1-year and 2-year P/E multiples implied by the Offer Price are significantly above the corresponding mean and median multiples of the Comparable Companies.

(xii) The LTM EV/Sales, forward 1-year and 2-year EV/Sales multiples implied by the Offer Price are above the corresponding mean and median multiples of the Comparable Companies.

(xiii) The LTM EV/EBITDA multiple implied by the Offer Price is below the corresponding mean and median multiples of the Comparable Companies but is nonetheless within their corresponding range of multiples. The forward 1-year and 2-year EV/EBITDA multiples implied by the Offer Price are in line with the corresponding mean and median multiples of the Comparable Companies.

(xiv) The P/NAV multiple implied by the Offer Price is in line with the corresponding mean and median multiples of the Comparable Companies.

(xv) The P/RNAV multiple implied by the Offer Price is above the corresponding mean and median multiples of the Precedent Transactions.

(xvi) The P/E, EV/Sales, EV/EBITDA and P/NAV multiples implied by the Offer Price are above the corresponding multiples of the relevant previous transactions in relation to the Company.

(xvii) When compared against selected Precedent Takeovers where the targets were valued in excess of S$1.5 billion and where the offeror also controlled more than 50% of the voting rights in the target prior to the offer, the market price premium implied by the Offer Price is above the corresponding mean and median premia of these selected Precedent Takeovers in relation to closing share price, 1-month VWAP and 3-month VWAP prior to the offer announcement.

(xviii) The Offer Price is at a slight discount of 6.8% to the mean of the target price estimates by research analysts covering the Company.

(xix) The Company has a consistent record of paying dividends with yields ranging from 6.2% to 8.2% over the period between FY2011 and FY2015. Shareholders who accept the Offer may not be able to achieve comparable dividend yields, although we note that there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in previous periods.

(xx) The Offeror does not intend to maintain the listing status of the Company and does not intend to take any step for 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 less than 10% of the total number of issued Shares are held in public hands. The Offeror also intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act if and when entitled, and reserves the right to seek a Voluntary Delisting.

(xxi) HIAM has irrevocably undertaken to accept the Offer in relation to its Shares representing approximately 6.98% of the total Shares outstanding as at the Latest Practicable Date, implying that the Offeror is significantly closer to achieving the Acceptance Condition as compared to from the outset of the Offer. The Offeror also 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 SIC.

(xxii) As the Offeror already controls 78.49% of the total Shares outstanding as at the Latest Practicable Date, the Offeror is in a position to dictate all financial and operating policies of the Group, including dividend policy, and can pass all ordinary resolutions (where it is not conflicted). In addition, the Offeror is not precluded from voting on any delisting resolution.

Based upon, and having considered, *inter alia*, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Offer Price is FAIR AND REASONABLE under current prevailing market, economic, industry, monetary and other relevant considerations. Accordingly, we advise the Independent Directors to recommend that Shareholders ACCEPT THE OFFER or sell their Shares in the open market if they can receive a price higher than the Offer Price (after netting off the related transaction expenses).

11.2 The Convertible Bonds Offer

In arriving at our advice to the Independent Directors on the Convertible Bonds Offer, we have considered, *inter alia*, the following factors which should be read in the context of the full text of this letter:

(i) The Convertible Bonds have generally been quoted at significant discounts to the Convertible Bonds Offer Price since their listing date.

(ii) The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 15.6%, 20.8%, 23.9% and 22.6%, respectively, to the average last quoted prices of the Convertible Bonds in the 1-month, 3-month, 6-month and 12-month periods preceding and including the Last Trading Day.

(iii) The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 6.6% to the Convertible Bonds last quoted price of S$199,546 as at the Latest Practicable Date.

(iv) The Convertible Bonds Offer Price of S$212,691.42 for every HK$1,000,000 principal amount of Convertible Bonds represents a premium of 20.9% over the estimated theoretical value of such Convertible Bonds assuming they were held to maturity.

(v) The potential absolute proceeds to Bondholders assuming they were to hold HK$1,000,000 principal amount of Convertible Bonds to maturity would be significantly lower than that implied by the Convertible Bonds Offer Price.

(vi) In the event of a delisting of the Company, Bondholders have the right to require the Company to redeem all (but not some only) of their Convertible Bonds at 100 per cent. of their principal amount together with accrued but unpaid interest.

(vii) In the event that at least 90 per cent. in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled, the Company may with due notice redeem all (but not some only) of the outstanding Convertible Bonds at 100 per cent. of their principal amount together with accrued but unpaid interest. As at the Latest Practicable Date, approximately 12.9% of the principal amount of the Convertible Bonds originally issued remains outstanding.

Based upon, and having considered, *inter alia*, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Convertible Bonds Offer Price is FAIR AND REASONABLE under current prevailing market, economic, industry, monetary and other relevant considerations. Accordingly, we advise the Independent Directors to recommend that Bondholders ACCEPT THE CONVERTIBLE BONDS OFFER or sell their Convertible Bonds in the open market if they are able to obtain a price higher than the Convertible Bonds Offer Price (after netting off the related transaction expenses).

In rendering the advice above, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder or Bondholder. As each Shareholder or Bondholder would have different investment objectives and profiles, we would advise that any individual Shareholder or Bondholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Shareholders and Bondholders should note that the opinion and advice of CIMB should not be relied upon by any Shareholder or Bondholder as the sole basis for deciding whether or not to accept the Offer or the Convertible Bonds Offer.

Yours faithfully
For and on behalf of
CIMB BANK BERHAD, SINGAPORE BRANCH

JASON CHIAN SIET HENG	**TAN CHER TING**
MANAGING DIRECTOR	DIRECTOR
INVESTMENT BANKING, SINGAPORE	INVESTMENT BANKING, SINGAPORE

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Designation
Mr Luo Hui Lai	Blk 12 No. 906 Hai Yue Garden, Nanshan District, Shenzhen, China	Executive Chairman and Chief Executive Officer
Mr Zheng Hai Jun	No. 1501 Level 21, An Hua Xi Li Qu, Chaoyang District, Beijing, China	Non-Executive Vice Chairman
Mr Jiang Yan Fei	10 Princep Link, #10-06 Sunshine Plaza, Singapore 187948	Vice Chairman, General Manager and Chief Operating Officer
Mr Wang Xiu Feng	#6-2-2301, Blk 1, Tai Yang Gong Street 1, Chaoyang District, Beijing, China	Non-Executive Director
Dr Lim Heng Kow	60 Bayshore Road, #23-03 Bayshore Park, Singapore 469982	Lead Independent Director
Dr Hong Hai	18 Oriole Crescent, Raffles Park, Singapore 288611	Independent Director

2. HISTORY

The Company was incorporated in Singapore as a private limited company under the name Hotel Tai-Pan Pte Ltd on 27 March 1981 and was converted to a public limited company on 11 May 1981. The Company was officially listed on the Main Board of the SGX-ST on 17 August 1981. Upon the sale in 1989 of its flagship hotel, then known as Tai-Pan Ramada Hotel, the Company changed its name to HTP Holdings Limited.

China Everbright Holdings Co., Ltd took over control of the Company in August 1993 and the Company's name was changed to China Everbright Pacific Limited.

In May 2001, China Merchants Holdings (International) Company Limited ("**CMHI**") acquired a controlling stake in the Company from China Everbright Holdings Co., Ltd and became the single largest shareholder of the Company. The Company further changed its name to China Merchants Holdings (Pacific) Limited so as to directly identify the Company's strong ties with the China Merchants Group.

Currently, CM Highway is the holding company with an equity stake of about 76% of the Shares.

3. PRINCIPAL ACTIVITIES

On 30 December 2004, the Company was transformed into a significant toll road player following the acquisition of equity interests in five toll roads in China from CMHI. The Company is now one of the leading toll road operators in China and is the largest toll road company listed on the SGX-ST. Currently, the Company invests in and operates the Toll Roads in China. The Toll Roads total approximately 575 km and are located in Zhejiang province, Jiangxi province, Guangxi Zhuang Autonomous Region and Guizhou province in the PRC. These roads are sited on routes connecting destinations that provide traffic growth opportunities.

4. SHARE CAPITAL

4.1 Issued Share Capital. As at the Latest Practicable Date, the Company has an issued and paid-up share capital of HK$7,861,501,000, comprising 1,794,524,100 Shares. There is only one class of shares in the capital of the Company, comprising the Shares. The Shares are ordinary shares carrying equal ranking rights to dividend, voting at general meetings and return of capital.

Since 31 December 2015 (being the end of the previous financial year), the Company has not issued any Shares.

The Company does not have any Shares held in treasury. During the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, the Company has not purchased any Company Securities.

There is no restriction in the Constitution on the right to transfer any Shares, which has the effect of requiring the Shareholders, before transferring them, to offer them for purchase to members of the Company or to any other person.

4.2 Rights in Respect of Capital, Dividends and Voting. The rights of Shareholders in respect of capital, dividends and voting are set out in the Constitution. For ease of reference, selected texts of the Constitution relating to the same have been extracted and reproduced in **Appendix 9** to this Circular.

4.3 Other Company Securities. As at the Latest Practicable Date, save for the Convertible Bonds and the CM Options, details of which are set out below, there are no other outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Shares or securities which carry voting rights affecting Shares.

As at the Latest Practicable Date:

(i) **CM Options.** The Company has 2,205,000 outstanding CM Options granted under the Company Scheme exercisable into 2,205,000 Shares, the details of which are set out below:

Date of Grant	Exercise Period	No. of Options	Exercise Price (S$)
6 October 2006	7 October 2007 to 6 October 2016	2,205,000	0.751

(ii) **Convertible Bonds.** The Company has outstanding Convertible Bonds in the principal amount of HK$150,000,000, convertible into 31,278,210 Shares based on the Fixed Exchange Rate and at the prevailing conversion price of S$0.757 per Share.

5. DISCLOSURE OF INTERESTS

5.1 Interest of the Company in Offeror Securities. As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or indirect interest in any Offeror Securities.

5.2 Dealings in Offeror Securities by the Company. During the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date, neither the Company nor its subsidiaries has dealt for value in any Offeror Securities.

5.3 Interest of Directors in Offeror Securities. As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any Offeror Securities.

5.4 Dealings in Offeror Securities by Directors. During the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Directors has dealt for value in any Offeror Securities.

5.5 **Interest of Directors in Company Securities.** Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any Company Securities.

	Direct Interest		Deemed Interest		CM Options		Convertible Bonds	
Director	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**Direct**	**Deemed**	**Direct**	**Deemed**
Mr Luo Hui Lai	–	–	–	–	–	–	–	–
Mr Zheng Hai Jun	–	–	–	–	–	–	–	–
Mr Jiang Yan Fei	1,617,000	0.09	–	–	–	–	–	–
Mr Wang Xiu Feng	–	–	–	–	–	–	–	–
Dr Lim Heng Kow	–	–	–	–	–	–	–	–
Dr Hong Hai	–	–	–	–	–	–	–	–

Note:

(1) Percentage interest is based on an issued and paid-up capital of 1,794,524,100 Shares as at the Latest Practicable Date and rounded to the nearest two decimal places.

5.6 **Dealings in Company Securities by Directors.** During the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Directors has dealt for value in any Company Securities.

5.7 **Interest of the IFA in Company Securities.** As at the Latest Practicable Date, none of CIMB, its related corporations or funds whose investments are managed by CIMB or its related corporations on a discretionary basis, owns or controls any Company Securities.

5.8 **Dealings in Company Securities by the IFA.** During the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date, save as disclosed below, none of CIMB, its related corporations or funds whose investments are managed by CIMB or its related corporations on a discretionary basis, has dealt for value in any Company Securities.

Name	Date	Number of Shares Bought	Number of Shares Sold	Transaction Price Per Share (S$)	Aggregate holdings in Shares after the dealing
CIMB Securities	16 February 2016	200	–	0.775	291
CIMB Securities	16 February 2016	–	100	0.775	191
CIMB Securities	18 February 2016	–	100	0.770	91
CIMB Securities	22 February 2016	50	–	0.680	141
CIMB Securities	25 February 2016	–	100	0.780	41
CIMB Securities	25 February 2016	100	–	0.775	141
CIMB Securities	26 February 2016	60	–	0.765	201
CIMB Securities	26 February 2016	–	100	0.755	101
CIMB Securities	8 March 2016	37	–	0.745	138
CIMB Securities	8 March 2016	–	30	0.840	108
CIMB Securities	10 March 2016	75	–	0.745	183
CIMB Securities	11 March 2016	100	–	0.745	283
CIMB Securities	11 March 2016	–	100	0.815	183
CIMB Securities	14 March 2016	58	–	0.745 – 0.790	241
CIMB Securities	15 March 2016	–	100	0.830	141
CIMB Securities	21 March 2016	50	–	0.795	191
CIMB Securities	23 March 2016	–	33	0.880	158

Name	Date	Number of Shares Bought	Number of Shares Sold	Transaction Price Per Share (S$)	Aggregate holdings in Shares after the dealing
CIMB Securities	30 March 2016	–	100	0.830	58
CIMB Securities	30 March 2016	20,000	–	0.840	20,058
CIMB Securities	1 April 2016	–	20,000	0.825	58
CIMB Securities	15 April 2016	50	–	0.795	108
CIMB Securities	18 April 2016	100	–	0.825	208
CIMB Securities	19 April 2016	100	–	0.825	308
CIMB Securities	20 April 2016	100	–	0.825	408
CIMB Securities	21 April 2016	–	100	0.850	308
CIMB Securities	22 April 2016	–	100	0.855	208
CIMB Securities	22 April 2016	–	100	0.850	108
CIMB Securities	25 April 2016	–	100	0.850	8
CIMB Securities	28 April 2016	50	–	0.745	58
CIMB Securities	5 May 2016	47	–	0.815	105
CIMB Securities	5 May 2016	–	100	0.825	5
CIMB Securities	10 May 2016	100	–	1.015	105
CIMB Securities	10 May 2016	–	100	1.015	5
CIMB Securities	17 May 2016	–	5	0.990	0

5.9 **Accepting or Rejecting the Offer.** Mr Jiang Yan Fei has informed the Company that it is his intention to accept the Offer in respect of all the 1,617,000 Shares in which he has a direct interest.

6. ARRANGEMENTS AFFECTING DIRECTORS

6.1 **Directors' Service Contracts.** As at the Latest Practicable Date:

(i) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation; and

(ii) there were no service contracts entered into or amended between any Director or proposed director with the Company or any of its subsidiaries during the period between the start of six months preceding the Offer Announcement Date and the Latest Practicable Date.

6.2 **No Payment or Benefit to Directors.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer and the Convertible Bonds Offer.

6.3 **No Agreement Conditional upon Outcome of Offer.** As at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer and the Convertible Bonds Offer.

6.4 **No Material Contracts entered into by Offeror.** As at the Latest Practicable Date, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

7. FINANCIAL INFORMATION ON THE GROUP

Set out below is certain financial information extracted from the Company's annual reports for FY2013, FY2014 and FY2015 respectively and from the 1Q2016 Results. The audited consolidated financial statements for the Group for FY2015 and the 1Q2016 Results are set out in **Appendices 4** and **5** to this Circular respectively. The summary set out below should be read together with the Company's annual reports for the relevant years, the audited consolidated financial statements for the relevant financial periods and the accompanying notes, as well as the 1Q2016 Results.

7.1 Consolidated Income Statement.

	Audited FY2013 HK$'000	**Audited FY2014 HK$'000**	**Audited FY2015 HK$'000**	**Unaudited 1Q2016 Results HK$'000**
Revenue	1,886,260	2,019,494	2,207,801	634,672
Profit from discontinued operations, net of tax(1)	48,731	64,092	–	–
Profit before tax	1,101,496	1,284,022	1,296,148	352,225
Profit after tax	897,160	1,059,614	957,972	254,305
Non-controlling interests	283,458	320,199	360,751	90,247
Profit attributable to owners of the Company	613,702	739,415	597,221	164,058
Basic earnings per Share (HK cents)(2)	84.51	89.52	45.43	9.14

Notes:

(1) Exceptional items in nature are disclosed as discontinued operations items in the audited consolidated financial statements of the Group.

(2) Net earnings per Share is calculated on the same basis as basic earnings per Share.

Set out below is also a summary of the dividend per Share declared in respect of each of FY2013, FY2014 and FY2015 by the Company. This information was extracted from the Company's annual reports for FY2013, FY2014 and FY2015.

	Singapore Cents (Tax-exempt one-tier)
In respect of FY2013	
Interim Dividend:	2.75
Final Dividend:	4.25
In respect of FY2014	
Interim Dividend:	3.50
Final Dividend:	3.50
In respect of FY2015	
Interim Dividend:	3.50
Final Dividend:	3.50

7.2 Statement of Financial Position.

	31 December 2015 (Audited) HK$'000	31 March 2016 (Unaudited) HK$'000
ASSETS		
Current assets		
Cash and cash equivalents	2,143,557	2,353,223
Trade and other receivables	238,073	212,354
Inventories	907	1,103
Total current assets	2,382,537	2,566,680
Non-current assets		
Property, plant and equipment	427,316	427,199
Intangible assets	20,798,599	20,745,657
Interests in subsidiaries	–	–
Interests in joint ventures	1,584,545	1,631,519
Club membership	376	376
Total non-current assets	22,810,836	22,804,751
Total assets	25,193,373	25,371,431
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	2,096,405	2,341,841
Interest-bearing liabilities	3,556,497	675,135
Dividend payable	149,609	–
Income tax payable	261,510	327,531
Total current liabilities	6,064,021	3,344,507
Non-current liabilities		
Interest-bearing liabilities	5,757,041	8,308,933
Deferred income	135,336	131,478
Deferred tax liabilities	1,079,720	1,101,671
Total non-current liabilities	6,972,097	9,542,082
Capital, reserves and non-controlling interests		
Share capital	7,861,501	7,861,501
Share options reserve	200	200
Statutory reserve	239,291	243,138
Currency translation reserve	(197,443)	(138,383)
Reserve on consolidation	(78,930)	(78,930)
Capital reserve	15,234	15,234
Accumulated profits	1,706,242	1,865,967
Equity attributable to owners of the Company	9,546,095	9,768,727
Non-controlling interests	2,611,160	2,716,115
Total equity	12,157,255	12,484,842
Total liabilities and equity	25,193,373	25,371,431

8. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in the 1Q2016 Results and any other information on the Company and the Group which is publicly available (including without limitation, the announcements released by the Company on the SGX-ST), there have been no material changes to the financial position of the Company or the Group since 31 December 2015, being the date of the last audited accounts of the Company laid before the Shareholders in general meeting.

9. STATEMENTS OF PROSPECTS

9.1 1Q2016 Results.

(i) The following statement was made in the 1Q2016 Results released by the Company on 28 April 2016:

"*The Group's toll road business will be continuously influenced by the economic growth of China, and may be affected by fluctuations in the RMB exchange rate and by interest rates, but the Group is expected to remain profitable.*"

(ii) The following statement was made in the press release issued by the Company on 28 April 2016 together with the 1Q2016 Results:

"*Executive Chairman and CEO Mr Luo Hui Lai said, "The Group delivered a commendable set of results in 1Q2016 despite the lower rate of growth of the Chinese economy. This reflects the strength and resilience of the Group's toll road business. Going forward, I am confident that our toll road business will continue to be profitable despite the challenging business environment.""*

9.2 Bases and Assumptions. Shareholders and Bondholders should note that the Directors have set out in **Appendix 6** to this Circular, the bases and assumptions for the statements set out in **paragraph 9.1** in this **Appendix 2** to this Circular (the "**Statements of Prospects**"). The Auditors and the IFA have each issued a letter in relation to the Statements of Prospects, which are set out in **Appendices 7** and **8** to this Circular respectively. Shareholders and Bondholders are urged to read **Appendices 6**, **7** and **8** to this Circular carefully.

10. ACCOUNTING POLICIES

The significant accounting policies of the Group for FY2015 are disclosed in Note 2 of the audited consolidated financial statements of the Group for FY2015, a copy of which is reproduced in **Appendix 4** to this Circular and available for inspection at the registered office of the Company as set out in **paragraph 17** of **Appendix 2** to this Circular.

The significant accounting policies of the Group for FY2013 and FY2014 are disclosed in Note 2 of the audited consolidated financial statements of the Group for each of FY2013 and FY2014, copies of which are available for inspection at the registered office of the Company as set out in **paragraph 17** of **Appendix 2** to this Circular.

11. CHANGE IN ACCOUNTING POLICIES

In relation to the 1Q2016 Results, the Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("**FRS**") including related Interpretations ("**INTFRS**"), that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. The adoption of the new and revised FRS and INTFRS did not give rise to any adjustments to the opening balances of the accumulated profits of the Group and of the Company for the prior and current periods or to changes in comparatives.

As at the Latest Practicable Date, there are no changes in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

12. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as set out below and in this Circular, neither the Company nor any of its subsidiaries have entered into any material contracts with interested persons (other than those entered into in the ordinary course of business) during the period commencing three years before the Offer Announcement Date and ending on the Latest Practicable Date:

(i) **CMP(NZ) Disposal.** On 27 September 2013, the Company and China Merchants Properties Development Limited ("**CMPDL**"), an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, entered into a conditional share and purchase agreement pursuant to which the Company agreed to sell and CMPDL agreed to purchase (a) the entire issued ordinary share capital ("**CMP(NZ) Shares**") of China Merchants Pacific (NZ) Limited ("**CMP(NZ)**") and (b) the shareholder's loan made by the Company to CMP(NZ) (collectively, the "**CMP(NZ) Disposal**"), at the consideration of NZ$55,520,300 in cash, on the terms and subject to the conditions set out in the conditional share purchase agreement. The completion of the CMP(NZ) Disposal was subject to the satisfaction of the conditions precedent, including, *inter alia*, approval of Shareholders for the CMP(NZ) Disposal, written consents of certain banks for the transfer of the CMP(NZ) Shares and approval of the relevant departments and/or government authorities of New Zealand for the transfer of the CMP(NZ) Shares. The long stop date for the fulfilment of the conditions precedent was extended from 5 March 2014 to 30 June 2014 via a supplemental agreement entered into between the Company and CMPDL on 5 March 2014. The CMP(NZ) Disposal was completed on 16 April 2014. Further details relating to this transaction are set out in the announcements issued by the Company on 27 September 2013, 3 December 2013, 19 December 2013, 5 March 2014 and 16 April 2014 and the circular to Shareholders issued by the Company on 3 December 2013.

(ii) **Road and Bridge Upgrading Contract in relation to the Beilun Port Expressway.** On 7 August 2014, it was announced that Ningbo Beilun Port Expressway Co., Ltd, an indirect wholly-owned subsidiary of the Company, following a public tender process, intends to award a major road and bridge upgrading contract in relation to the Beilun Port Expressway with the contract price of RMB239,135,704 to Chongqing Zhixiang Paving Technology Engineering Co., Ltd, an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company. Further details relating to this transaction are set out in an announcement issued by the Company on 7 August 2014.

(iii) **CM Highway Preferential Offering Irrevocable Undertaking.** On 30 July 2015, in connection with the Company's non-renounceable non-underwritten preferential offering of up to 633,756,189 new Shares to fund the acquisitions of the Guangxi Expressways (the "**2015 Preferential Offering**"), CM Highway provided an irrevocable undertaking (the "**CM Highway Preferential Offering Undertaking**") in favour of the Company pursuant to which CM Highway agreed to, *inter alia*, procure the subscription and payment in full by the Offeror for (a) 382,407,375 new Shares (the "**Undertaken Pro-rata New Shares**"), representing the Offeror's *pro-rata* entitlement to the new Shares under the 2015 Preferential Offering and (b) such number of excess new Shares which, when aggregated with the Undertaken Pro-rata New Shares, would represent 100% of the aggregate number of new Shares under the 2015 Preferential Offering. Further details relating to the CM Highway Preferential Offering Undertaking and the 2015 Preferential Offering are set out in an announcement issued by the Company on 30 July 2015 and the instruction booklet in relation to the 2015 Preferential Offering despatched on 9 September 2015 to all Shareholders eligible to participate in the 2015 Preferential Offering.

13. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any material litigation or arbitration proceedings as plaintiff or defendant, which might materially and adversely affect the financial position of the Group as a whole. The Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any such proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

14. MATERIAL CHANGE IN INFORMATION

Save as disclosed in this Circular and save for the information relating to the Company, the Group, the Offer and the Convertible Bonds Offer that is publicly available (including without limitation, the announcements released by the Company on the SGX-ST), there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

15. VALUATION REPORT AND TRAFFIC CONSULTANT REPORT

15.1 **Basis of Valuation.** The Company has commissioned an independent valuation of the toll road operating rights of the Toll Roads currently operated by the Group (the "**Toll Road Operating Rights**"). The valuation report in respect of the Toll Road Operating Rights (the "**Valuation Report**"), which includes the basis of each valuation, is set out in **Appendix 10** to this Circular. The Company has also appointed a Traffic Consultant to conduct an independent traffic and revenue forecast study and operation and maintenance costs estimations on the Toll Roads currently operated by the Group. An executive summary of the Traffic Consultant Report, which includes the basis of each valuation, is set out in **Appendix 11** to this Circular.

15.2 **Potential Tax Liability.** Pursuant to Rule 26.3 of the Code, for the valuation of assets given in connection with the Offer and the Convertible Bonds Offer, the Company is required to, *inter alia*, make an assessment of any potential tax liability which would arise if such assets were to be sold at the amount of the valuation set out in the Valuation Report and the Traffic Consultant Report. The estimated tax liabilities assuming a hypothetical sale of the Group's interest in the companies owning the Toll Roads is approximately RMB188.7 million (or approximately S$39.4 million).

The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the companies owning the Toll Roads. As at the Latest Practicable Date, the Company has no immediate plans to dispose of its interests in the companies owning the Toll Roads, and accordingly, the aforesaid tax liabilities are not likely to crystallise.

16. GENERAL

16.1 **Costs and Expenses.** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

16.2 **Consent of Boardroom Corporate & Advisory Services Pte. Ltd..** Boardroom Corporate & Advisory Services Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all the references to its name in the form and context in which it appears in this Circular.

16.3 **Consent of the Auditors.** Mazars LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Auditors' report relating to the audited consolidated financial statements of the Group for FY2015 set out in **Appendix 4** to this Circular, the letter from the Auditors in relation to the Statements of Prospects set out in **Appendix 7** to this Circular and all references thereto in the form and context in which they appear in this Circular.

16.4 **Consent of the IFA.** CIMB has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter set out in **Appendix 1** to this Circular, the letter from the IFA in relation to the Statements of Prospects set out in **Appendix 8** to this Circular and all references thereto in the form and context in which they appear in this Circular.

16.5 **Consent of the Valuer.** Greater China Appraisal Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, its Valuation Report set out in **Appendix 10** to this Circular and all references thereto in the form and context in which they appear in this Circular.

16.6 **Consent of the Traffic Consultant.** THI Asia Consultants Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, an executive summary of its Traffic Consultant Report set out in **Appendix 11** to this Circular and all references thereto in the form and context in which they appear in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be 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 for the period during which the Offer and the Convertible Bonds Offer remain open for acceptance:

(i) the Constitution;

(ii) the annual reports of the Company for FY2013, FY2014 and FY2015;

(iii) the 1Q2016 Results;

(iv) the IFA Letter, as set out in **Appendix 1** to this Circular;

(v) the Statements of Prospects, the letters from the Auditors and the IFA respectively in relation to the Statements of Prospects, as set out in **Appendices 6**, **7** and **8** to this Circular respectively;

(vi) the Valuation Report as set out in **Appendix 10** to this Circular;

(vii) the Traffic Consultant Report; and

(viii) the letters of consent referred to in **paragraphs 16** of this **Appendix 2** above.

1. THE OFFEROR

The following information on the Offeror has been extracted from Appendix I to the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"*1.* ***DIRECTOR OF THE OFFEROR***

The name, address and description of the Director as at the Latest Practicable Date are as follows:

Name	*Address*	*Description*
Cornerstone Holdings Limited	*39th floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong*	*Director*

2. ***REGISTERED OFFICE OF THE OFFEROR***

The registered office of the Offeror is at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

3. ***PRINCIPAL ACTIVITY OF THE OFFEROR***

The principal activity of the Offeror is that of an investment holding company.

4. ***NO FINANCIAL STATEMENTS***

The Offeror is not required to prepare, and has not prepared, any financial statements since the date of its incorporation."

2. HOLDINGS AND DEALINGS IN THE SHARES

The following information on the holdings of, and dealings in, the Shares by the Offeror and certain parties acting in concert with the Offeror has been extracted from Appendix IV to the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"*1.* ***DISCLOSURE OF INTERESTS***

(a) *As at the Latest Practicable Date, based on the latest information available to the Offeror, the interests in Shares held by the Offeror and persons acting in concert with it are set out below:*

	Direct Interest		*Deemed Interest*		*Total Interest*	
Name	*No. of Shares*	*%*(1)	*No. of Shares*	*%*(1)	*No. of Shares*	*%*(1)
Easton Overseas Limited	*1,361,619,393*(2)	*75.88*	–	–	*1,361,619,393*	*75.88*
Cornerstone(3)	–	–	*1,361,619,393*	*75.88*	*1,361,619,393*	*75.88*
CM Highway(3)	–	–	*1,361,619,393*	*75.88*	*1,361,619,393*	*75.88*
CMG(3)	–	–	*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 total number of issued Shares of 1,794,524,100 Shares as at the Latest Practicable Date. Percentages are rounded to the nearest two (2) decimal places.

(2) A total of 308,355,075 Shares held by the Offeror are registered in the name of DBS Nominees (Private) Limited.

(3) The Offeror is the wholly-owned subsidiary of Cornerstone, which is in turn wholly-owned by CM Highway. CM Highway is wholly-owned by CMG. Accordingly, Cornerstone, CM Highway and CMG are deemed to have an interest in the 1,361,619,383 Shares held by the Offeror.

(b) ***Dealings in Company Securities***

Based on the latest information available to the Offeror, the details of dealings in Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date by the Offeror and persons acting in concert with it are set out below:

Name	***Dealing Date***	***No. of Shares bought***	***No. of Shares sold***	***Transaction price per Share (S$)***
DBS Vickers	*22 March 2016*	*11,000*	*–*	*0.815*
DBS Vickers	*23 March 2016*	*–*	*11,000*	*0.815*

(c) *As at the Latest Practicable Date, save for the Irrevocable Undertaking, no person has given any undertaking to the Offeror or any persons acting in concert with it, to accept or reject the Offer and/or the Convertible Bonds Offer.*

(d) *As at the Latest Practicable Date, save for the Irrevocable Undertaking, neither the Offeror nor any persons acting in concert with it has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares and/or the Convertible Bonds which may be an inducement to deal or refrain from dealing in the Shares and/or the Convertible Bonds Offer.*

(e) *As at the Latest Practicable Date, save for the Irrevocable Undertaking, there is no agreement, arrangement or understanding between (i) the Offeror or any persons acting in concert with it, and (ii) any of the present or recent directors of the Company, or any of the present or recent Shareholders, Bondholders or any other persons that has any connection with or is conditional upon the outcome of the Offer and/or the Convertible Bonds Offer.*

(f) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares and/or the Convertible Bonds acquired by the Offeror pursuant to the Offer and/or the Convertible Bonds Offer will or may be transferred to any other person.*

(g) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding for payment or other benefit being made or given to any director of the Company or to any director of any corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer and/or the Convertible Bonds Offer.*

(h) *Save as disclosed in this Offer Document, as at the Latest Practicable Date, none of the Offeror or any persons acting in concert with it has (i) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise, (ii) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold), or (iii) lent any Company Securities to another person."*

3. CM HIGHWAY

The following information on CM Highway has been extracted from Appendix II to the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***1. DIRECTORS OF CM HIGHWAY***

The names, addresses and descriptions of the directors of CM Highway as at the Latest Practicable Date are as follows:

Name	***Address***	***Description***
Mr. Li Xiao Peng	*c/o CM Highway 39th floor, China Merchants Tower, Shun Tak Centre, 18-200 Connaught Road, Central, Hong Kong*	*Director*
Mr. Deng Ren Jie	*c/o CM Highway 39th floor, China Merchants Tower, Shun Tak Centre, 18-200 Connaught Road, Central, Hong Kong*	*Director*
Mr. Wang Hong	*c/o CM Highway 39th floor, China Merchants Tower, Shun Tak Centre, 18-200 Connaught Road, Central, Hong Kong*	*Director*
Mr. Luo Hui Lai	*c/o CM Highway 39th floor, China Merchants Tower, Shun Tak Centre, 18-200 Connaught Road, Central, Hong Kong*	*Director*
Mr. Hua Li	*c/o CM Highway 39th floor, China Merchants Tower, Shun Tak Centre, 18-200 Connaught Road, Central, Hong Kong*	*Director*

2. REGISTERED OFFICE OF CM HIGHWAY

The registered office of CM Highway is at 31st floor, China Merchants Tower, No. 118 Jian Guo Road, Chaoyang District, Beijing, China.

3. SUMMARY OF FINANCIAL INFORMATION OF CM HIGHWAY

*A summary of the financial information relating to CM Highway from the audited consolidated financial statements of CM Highway for FY2013, FY2014 and FY2015, and the unaudited consolidated financial statements as at 31 March 2016 (collectively, the "**CM Highway Financial Statements**") is set out below. The summary financial information should be read together with the CM Highway Financial Statements (copies of which are available for inspection as set out in paragraph 4 of **Appendix IV** to this Offer Document).*

Consolidated Income Statements of CM Highway

A summary of the consolidated income statements of CM Highway for FY2013, FY2014 and FY2015 and the unaudited consolidated income statement as at 31 March 2016 is set out below:

	Financial year ended 31 December (Audited)			***Unaudited as at 31 March 2016***
	FY2013 RMB'000[(1)]	***FY2014 RMB'000[(1)]***	***FY2015 RMB'000[(1)]***	***RMB'000[(1)]***
Revenue	*1,800,350*	*1,687,162*	*1,827,714*	*545,639*
Exceptional Items	*28,313*	*81,729*	*64,869*	*34,598*
Net profit / (loss) before tax	*2,549,314*	*2,815,897*	*3,648,713*	*952,382*
Net profit / (loss) after tax	*2,330,544*	*2,604,424*	*3,179,622*	*866,862*
Minority interests	*308,482*	*381,952*	*445,692*	*110,189*
Net profit after minority interests	*2,022,062*	*2,222,472*	*2,733,931*	*756,673*
Net earnings per share (in RMB cents)[(2)]	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Net dividends per share (in RMB cents)[(2)]	*n.a.*	*n.a.*	*n.a.*	*n.a.*

Notes:

(1) Rounded to the nearest whole number.

(2) The registered capital of CM Highway is not divided into shares.

Consolidated Balance Sheet of CM Highway

The audited consolidated balance sheet of CM Highway as at 31 December 2015 and the unaudited consolidated balance sheet of CM Highway as at 31 March 2016 are summarised below:

	Audited as at 31 December 2015 RMB'000[(1)]	***Unaudited as at 31 March 2016 RMB'000[(1)]***
Current assets	*3,991,872*	*4,028,928*
Non-current assets	*42,509,663*	*42,806,932*
Total assets	*46,501,634*	*46,835,859*
Current liabilities	*11,494,197*	*9,147,608*
Non-current liabilities	*7,260,249*	*9,301,132*
Total liabilities	*18,754,447*	*18,448,740*
NET ASSETS	*27,747,088*	*28,387,120*
Share capital	*1,500,000*	*1,500,000*
Reserves	*22,166,568*	*22,695,049*
Non-controlling interests	*4,080,519*	*4,192,070*
TOTAL EQUITY	*27,747,088*	*28,387,120*

Note*:*

(1) Rounded to the nearest whole number.

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, there has been no known material changes in the financial position of CM Highway subsequent to 31 December 2015, being the date of its last published audited accounts.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of CM Highway are disclosed in Note 4 of the audited financial statements of CM Highway for FY2015."

The (i) audited consolidated financial statements of the Group for FY2015 and (ii) notes to the audited consolidated financial statements of the Group for FY2015 set out below have been reproduced from the Company's annual report for FY2015, and were not specifically prepared for inclusion in this Circular.

Financial Report

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of China Merchants Holdings (Pacific) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Mr Luo Hui Lai	–	Executive Chairman	
Mr Zheng Hai Jun	–	Vice Chairman	
Mr Jiang Yan Fei	–	Executive director	
Mr Wang Xiu Feng	–	Non-Executive director	(Appointed on 30 July 2015)
Dr Lim Heng Kow			
Dr Hong Hai			

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire the benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 6 below.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as disclosed below:

	Shareholdings in which the directors have a direct interest	
Name of directors and company in which interest is held	**As at 1 January 2015**	**As at 31 December 2015**
The Company		
Ordinary shares fully paid (with no par value)		
Jiang Yan Fei	1,540,000	1,617,000

Directors' Statement

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and company in which interest is held	Shareholdings in which the directors are deemed to have an interest As at 1 January 2015	 As at 31 December 2015
Related corporation		
- China Merchants Holdings (International) Company Limited		
Ordinary shares fully paid (with no par value)		
Zheng Hai Jun	2,450	2,450
Options to subscribe for ordinary shares (with no par value)		
Luo Hui Lai	150,000	–
Zheng Hai Jun	180,000	–

The directors' interests in the shares and options of the Company at 21 January 2016 were the same at 31 December 2015.

5. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which they are a member, or with a company in which they have a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the consolidated financial statements.

6. SHARE OPTIONS

The China Merchants Holdings (Pacific) Limited Share Option Scheme 2002 (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 30 May 2002 and modifications to the Scheme were approved by the members of the Company at the Extraordinary General Meetings held on 27 April 2006 and 25 April 2008. The Scheme is administered by the Remuneration Committee, which comprises the following directors:

Dr Hong Hai (Chairman)
Dr Lim Heng Kow
Mr Zheng Hai Jun

Other information regarding the Scheme is set out below:

- Group employees (including executive directors), non-executive directors, parent company employees and associate employees, subject to certain conditions, are eligible to participate in the Scheme. Controlling shareholders and their associates are not eligible to participate in the Scheme.
- The exercise price of the options can be set at a discount to the market price provided that the maximum discount shall not exceed 20% of the market price on the date of grant of the options.
- Options granted with the exercise price set at market price may be exercised 1 year after the grant date. Options granted with exercise price set at a discount to market price may only be exercised 2 years after the grant date.

Directors' Statement

6. SHARE OPTIONS (cont'd)

- All options are settled by physical delivery of shares.
- Options granted to eligible employees (including executive directors) expire after 10 years from the grant date. Options granted to non-executive directors expire after 5 years from the grant date.

The Scheme has been expired in 2012.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant	Balance as at 1 January 2015	Granted or exercised	Bonus issue	Lapsed or expired	Balance as at 31 December 2015	Exercise price per share (S$)	Exercisable Period
6 October 2006	4,250,000	(2,150,000)	105,000	–	2,205,000	0.751	7 October 2007 to 6 October 2016

As a result of the Bonus Issue of one Bonus Share for every twenty fully paid Shares, the exercise price of such option has been adjusted during the financial year from S$0.789 to S$0.751.

The details of the options granted under the 2002 Scheme to persons who were directors of the Company during the financial year are as follows:

Name of director	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed/ expired since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Jiang Yan Fei	1,200,000	1,200,000	–	–
Lim Heng Kow	150,000	–	(150,000)	–
Hong Hai	150,000	–	(150,000)	–

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total number of options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

7. AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Dr Lim Heng Kow (Chairman)	Independent and non-executive director
Dr Hong Hai	Independent and non-executive director
Mr Zheng Hai Jun	Non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' report.

Directors' Statement

7. AUDIT COMMITTEE (cont'd)

The Audit Committee also reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) nomination of external auditors and approval of their compensation; and

(ix) submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviewed the level of audit and non-audit fees.

The Audit Committee reviewed the independence of the external auditors as required under Section 206 (1A) of the Act and determine the external auditors were independent in carrying out their audit of the financial statements of the Group and Company.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

8. AUDITORS

The auditors, Mazars LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Mr Luo Hui Lai	**Mr Jiang Yan Fei**
Director	Director

Singapore

29 March 2016

Independent Auditors' Report

To the Members of China Merchants Holdings (Pacific) Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of China Merchants Holdings (Pacific) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information set out on page 35 to 104.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the Members of China Merchants Holdings (Pacific) Limited

OPINION

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore

29 March 2016

Consolidated Statement of Profit or Loss

For the financial year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	4	2,207,801	2,019,494
Cost of sales		(910,173)	(906,503)
Gross profit		1,297,628	1,112,991
Other operating income	5	65,328	113,416
Administrative expenses		(118,656)	(103,927)
Other operating expenses		(34,748)	(1,574)
Finance costs	6	(168,023)	(124,953)
Subsidy income	7	22,042	23,652
Share of results of joint ventures, net of tax	18	232,577	264,417
Profit before tax from continuing operations	8	1,296,148	1,284,022
Income tax expense	9	(338,176)	(288,500)
Profit from continuing operations, net of tax		957,972	995,522
Profit from discontinued operations, net of tax	14	–	64,092
Profit for the financial year		957,972	1,059,614
Profit attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		597,221	675,323
Profit from discontinued operations, net of tax		–	64,092
		597,221	739,415
Non-controlling interests			
Profit from continuing operations, net of tax		360,751	320,199
Profit for the financial year		957,972	1,059,614
Earnings per share from continuing operations attributable to owners of the Company (HK cents):			
Basic	10	45.43	77.87
Diluted	10	43.76	61.78
Earnings per share attributable to owners of the Company (HK cents):			
Basic	10	45.43	85.26
Diluted	10	43.76	67.31

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Other Comprehensive Income

For the financial year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit for the financial year	957,972	1,059,614
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference arising on consolidation	(832,846)	(44,125)
Less: Reclassification to profit or loss upon disposal of discontinued operations	–	(80,960)
Total items that may be reclassified to profit or loss, representing other comprehensive income for the financial year	(832,846)	(125,085)
Total comprehensive income for the financial year	125,126	934,529
Total comprehensive income attributable to:		
Owners of the Company	(83,290)	626,521
Non-controlling interests	208,416	308,008
	125,126	934,529

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	2,143,557	1,049,178	1,062,778	124,070
Trade and other receivables	12	238,073	199,761	1,124,969	1,012,947
Inventories	13	907	970	–	–
Total current assets		2,382,537	1,249,909	2,187,747	1,137,017
Non-current assets					
Property, plant and equipment	15	427,316	209,307	2,741	2,959
Intangible assets	16	20,798,599	12,429,096	–	–
Interests in subsidiaries	17	–	–	12,319,906	7,813,732
Interests in joint ventures	18	1,584,545	1,702,466	–	–
Club membership	19	376	376	376	376
Total non-current assets		22,810,836	14,341,245	12,323,023	7,817,067
Total assets		25,193,373	15,591,154	14,510,770	8,954,084
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	21	2,096,405	633,291	31,817	37,679
Interest-bearing liabilities	22	3,556,497	402,048	3,525,247	248,784
Dividend payable		149,609	498,009	149,609	498,009
Income tax payable		261,510	162,065	–	–
Total current liabilities		6,064,021	1,695,413	3,706,673	784,472
Non-current liabilities					
Interest-bearing liabilities	22	5,757,041	3,844,990	2,477,516	3,607,603
Deferred income	18	135,336	160,002	–	–
Deferred tax liabilities	20	1,079,720	960,955	–	–
Total non-current liabilities		6,972,097	4,965,947	2,477,516	3,607,603
Capital, reserves and non-controlling interests					
Share capital	23	7,861,501	3,804,616	7,861,501	3,804,616
Share options reserve	24	200	1,513	200	1,513
Statutory reserve	24	239,291	201,154	–	–
Currency translation reserve	24	(197,443)	483,068	–	–
Reserve on consolidation	24	(78,930)	(78,930)	–	–
Capital reserve	24	15,234	55,036	15,234	55,036
Accumulated profits		1,706,242	1,907,606	449,646	700,844
Equity attributable to owners of the Company		9,546,095	6,374,063	8,326,581	4,562,009
Non-controlling interests		2,611,160	2,555,731	–	–
Total equity		12,157,255	8,929,794	8,326,581	4,562,009
Total liabilities and equity		25,193,373	15,591,154	14,510,770	8,954,084

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Share capital HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Currency translation reserve HK$'000	Reserve on consolidation HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2015	3,804,616	1,513	201,154	483,068	(78,930)	55,036	1,907,606	6,374,063	2,555,731	8,929,794
Total comprehensive income for the financial year	–	–	–	(680,511)	–	–	597,221	(83,290)	208,416	125,126
Profit for the year	–	–	–	–	–	–	597,221	597,221	360,751	957,972
Other comprehensive income:										
Foreign currency translation difference arising on consolidation	–	–	–	(680,511)	–	–	–	(680,511)	(152,335)	(832,846)
Transfer from accumulated profits	–	–	38,137	–	–	–	(38,137)	–	–	–
Issue of ordinary shares through preferential offering in connection with the acquisition of subsidiaries (Note 23)	3,248,686	–	–	–	–	–	–	3,248,686	–	3,248,686
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	486,593	–	–	–	–	(32,144)	–	454,449	–	454,449
Redemption of convertible bonds (Note 22)	–	–	–	–	–	(7,658)	–	(7,658)	–	(7,658)
Share options exercised (Note 23)	11,082	(1,313)	–	–	–	–	–	9,769	–	9,769
Bonus issue (Note 23)	310,524	–	–	–	–	–	(310,524)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(152,987)	(152,987)
One-tier tax exempt dividends:										
- Final ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	–	–	–	–	–	–	(220,716)	(220,716)	–	(220,716)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2015	–	–	–	–	–	–	(82,677)	(82,677)	–	(82,677)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2015	–	–	–	–	–	–	(146,531)	(146,531)	–	(146,531)
Balance at 31 December 2015	7,861,501	200	239,291	(197,443)	(78,930)	15,234	1,706,242	9,546,095	2,611,160	12,157,255

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Share capital HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Currency translation reserve HK$'000	Reserve on consolidation HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2014	2,730,406	5,507	141,250	595,962	(78,930)	78,535	1,635,874	5,108,604	2,652,193	7,760,797
Total comprehensive income for the financial year	–	–	–	(112,894)	–	–	739,415	626,521	308,008	934,529
Profit for the year	–	–	–	–	–	–	739,415	739,415	320,199	1,059,614
Other comprehensive income:										
Foreign currency translation difference arising on consolidation	–	–	–	(31,934)	–	–	–	(31,934)	(12,191)	(44,125)
Reclassification to profit or loss upon disposal of discontinued operations	–	–	–	(80,960)	–	–	–	(80,960)	–	(80,960)
Transfer from accumulated profits	–	–	59,904	–	–	–	(59,904)	–	–	–
Issue of ordinary shares in connection with the acquisition of subsidiaries (Note 17)	693,552	–	–	–	–	–	–	693,552	–	693,552
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	351,204	–	–	–	–	(23,499)	–	327,705	–	327,705
Share options exercised (Note 23)	29,454	(3,994)	–	–	–	–	–	25,460	–	25,460
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(404,470)	(404,470)
One-tier tax exempt dividends:										
- Final ordinary dividend paid of Singapore 4.25 cents per share in respect of 2013	–	–	–	–	–	–	(35,055)	(35,055)	–	(35,055)
- Final ordinary dividend payable of Singapore 4.25 cents per share in respect of 2013	–	–	–	–	–	–	(155,448)	(155,448)	–	(155,448)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	–	–	–	–	–	–	(64,669)	(64,669)	–	(64,669)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2014	–	–	–	–	–	–	(152,607)	(152,607)	–	(152,607)
Balance at 31 December 2014	3,804,616	1,513	201,154	483,068	(78,930)	55,036	1,907,606	6,374,063	2,555,731	8,929,794

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Company	Share capital HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
Balance at 1 January 2015	3,804,616	1,513	55,036	700,844	4,562,009
Total comprehensive income for the financial year	–	–	–	509,250	509,250
Issue of ordinary shares through preferential offering in connection with the acquisition of subsidiaries (Note 23)	3,248,686	–	–	–	3,248,686
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	486,593	–	(32,144)	–	454,449
Redemption of convertible bonds (Note 22)	–	–	(7,658)	–	(7,658)
Share options exercised (Note 23)	11,082	(1,313)	–	–	9,769
Bonus issue (Note 23)	310,524	–	–	(310,524)	–
One-tier tax exempt dividends:					
- Final ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	–	–	–	(220,716)	(220,716)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2015	–	–	–	(82,677)	(82,677)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2015	–	–	–	(146,531)	(146,531)
Balance at 31 December 2015	7,861,501	200	15,234	449,646	8,326,581
Balance at 1 January 2014	2,730,406	5,507	78,535	84,136	2,898,584
Total comprehensive income for the financial year	–	–	–	1,024,487	1,024,487
Issue of ordinary shares in connection with the acquisition of subsidiaries (Note 17)	693,552	–	–	–	693,552
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	351,204	–	(23,499)	–	327,705
Share options exercised (Note 23)	29,454	(3,994)	–	–	25,460
One-tier tax exempt dividends:					
- Final ordinary dividend paid of Singapore 4.25 cents per share in respect of 2013	–	–	–	(35,055)	(35,055)
- Final ordinary dividend payable of Singapore 4.25 cents per share in respect of 2013	–	–	–	(155,448)	(155,448)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	–	–	–	(64,669)	(64,669)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2014	–	–	–	(152,607)	(152,607)
Balance at 31 December 2014	3,804,616	1,513	55,036	700,844	4,562,009

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,296,148	1,284,022
Profit before tax from discontinued operations		–	64,092
Profit before tax, total		1,296,148	1,348,114
Adjustments for:			
Depreciation of property, plant and equipment	15	22,215	25,697
Amortisation of intangible assets	16	544,156	480,415
Loss on disposal of property, plant and equipment	8	798	57
Write off of intangible assets		–	185
Gain on disposal of discontinued operations	17	–	(66,319)
Provision for warranties		–	1,917
Interest on convertible bonds	6	12,182	29,344
Realisation of deferred income		(24,666)	(26,306)
Effective interests on compensation receivable		(8,985)	(16,714)
Amortisation of loan arrangement fees	6	29,296	19,191
Bargain purchase gain arose from acquisition of subsidiaries	17	(8,415)	(22,783)
Interest expense		126,545	77,685
Interest income		(34,022)	(25,180)
Exchange differences		26,741	(33,405)
Share of results of joint ventures, net of tax	18	(232,577)	(264,417)
Operating cash flows before movements in working capital		1,749,416	1,527,481
Inventories		16	(57,344)
Trade and other receivables		27,276	82,018
Trade and other payables		(24,161)	62,998
Cash generated from operations		1,752,547	1,615,153
Income taxes paid		(210,533)	(336,995)
Net cash generated from operating activities		1,542,014	1,278,158
INVESTING ACTIVITIES			
Interest received		34,795	25,004
Purchase of property, plant and equipment	15	(245,810)	(49,953)
Acquisition of subsidiaries	17	(3,670,599)	(134,784)
Proceeds from disposal of property, plant and equipment		280	162
Proceeds from disposal of discontinued operations	17	–	355,506
Repayment of loans by joint ventures		49,591	103,523
Dividends received		170,353	372,964
Net cash (used in)/generated from investing activities		(3,661,390)	672,422
FINANCING ACTIVITIES			
Interest paid		(150,828)	(93,988)
Issue of shares under share option scheme		9,769	25,460
Proceeds for allotment of new shares under Preferential Offering	23	3,248,686	–
Partial redemption of convertible bonds	22	(189,000)	–
Proceeds from bank loans		3,277,131	1,720,390
Repayment of bank loans		(1,974,051)	(2,326,915)
Repayment of loan		–	(916,177)
Dividends paid to:			
Owners of the Company		(801,402)	(349,724)
Non-controlling interests of a subsidiary		(152,987)	(404,470)
Net cash generated from/(used in) financing activities		3,267,318	(2,345,424)
Net increase/(decrease) in cash and cash equivalents		1,147,942	(394,844)
Cash and cash equivalents at beginning of the financial year		1,049,178	1,449,026
Net effect of exchange rate changes in the balance of cash held in foreign currencies		(53,563)	(5,004)
Cash and cash equivalents at end of the financial year	11	2,143,557	1,049,178

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Notes to Financial Statements

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

China Merchants Holdings (Pacific) Limited (the "Company") (Registration No. 198101278D) is incorporated and domiciled in Singapore with its registered office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 and principal place of business at 6 Temasek Boulevard #33-04/05 Suntec Tower Four Singapore 038986. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are those of investment holding.

The principal activities of the subsidiaries and joint ventures are disclosed in Notes 17 and 18 to the financial statements respectively.

The immediate and ultimate holding companies are Easton Overseas Limited, a company incorporated in the British Virgin Islands ("BVI"), and China Merchants Group Limited (招商局集团), a company registered in the People's Republic of China ("PRC"), respectively.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 29 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretation of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group's entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("HK$'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations	1 January 2016
FRS110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception (Editorial corrections in June 2015)	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
Various	Improvements to FRSs (November 2014)	Various

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in financial year ended 31 December 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

FRS 109 Financial Instruments (cont'd)

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 Construction contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries and they incorporate its post-acquisition share of the results of joint ventures using the equity method of accounting. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same financial year end as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent financial year end and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent financial year end in accordance with FRS 39 or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Business combinations (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the financial period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The accounting policy for initial measurement of non-controlling interests is described above.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Reverse acquisition

In 2004, the Company acquired the entire issued and paid-up share capital of Successful Road Corporation ("SRC") from China Merchants Holdings (International) Company Limited. The acquisition of SRC was accounted for as a reverse acquisition where SRC was deemed to be the acquirer and the cost of the business combination was deemed to have been incurred by SRC. Accordingly, the reverse acquisition of the Company by SRC was accounted for by applying the purchase method and the principles of reverse acquisition accounting. Details of the reverse acquisition were set out in Note 2 to the financial statements for the financial years ended 31 December 2004 and 2005.

2.5 Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Toll road revenue

Toll road revenue for the operation of toll road is recognised when the tolls are received or become receivable.

Subsidy income

Subsidy from joint venture partners is recognised as income on an accrual basis when there is reasonable assurance that it will be received.

Dividend income

Dividend income is recognised when the shareholder's right to receive the payment has been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Sale of development properties *(Discontinued operations)*

Revenue from sale of land or houses is recognised as each individual lot is sold and when all risks and rewards of ownership have been transferred to the buyer.

Design and build contract revenue *(Discontinued operations)*

Contract revenue and costs are recognised in profit or loss using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the following can be reliably estimated – total contract revenue to be received; and costs to complete. The stage of completion is assessed with reference to surveys of work performed. An expected loss on a contract is recognised immediately in profit or loss.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised in profit or loss as an expense in the period in which they are incurred.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those using in a defined contribution retirement benefit plan.

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

2.8 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.11 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in the Group's translation reserve, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Foreign currency transactions and translation (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the translation reserve (attributed to non-controlling interests, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	-	3% to 10%
Leasehold improvements	-	10%
Furniture and fittings	-	20%
Plant, machinery and office equipment	-	3% to 33%
Computers	-	20%
Motor vehicles	-	10% to 19%
Toll road infrastructure	-	19%

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

The carrying amount of property, plant and equipment are reviewed for impairment when the events or changes in circumstances indicate that carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate at the end of each financial year.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment asset is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Intangible assets

Intangible assets relate to toll road operating concession rights and are recognised at their fair value at the acquisition date. The concession granted included the rights to redevelop and expand, invest, operate, manage and maintain the expressways and highways and their ancillary facilities and the rights to propose and collect toll incomes from vehicles using the expressways and highways and other fees relating to the expressways and highways and their ancillary facilities ("the operating rights") during the operating period.

Subsequent to initial recognition, the operating rights are stated at cost less accumulated amortisation and impairment losses. Amortisation of the operating rights is 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 respective rights to operate the toll roads.

The projected total traffic volume over the lease term of the respective toll roads is reviewed by the Group annually. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

Major repairs and maintenance costs incurred to upgrade or maintain the toll roads are capitalised as intangible assets and amortised over the remaining concession period.

<u>Intangible assets acquired separately by the Group's joint ventures</u>

The Group's joint ventures (formerly known as "jointly controlled entities") were granted by the PRC authority the concessions to operate the expressways and highways, namely Guiliu Expressway and Guihuang Highway during the pre-set operating period.

In 2008, the Group adopted INT FRS 112 *Service Concession Arrangements* and had reclassified the toll road operating rights and the costs incurred on infrastructure from lease prepayments and property, plant and equipment, respectively, to intangibles.

2.14 Club membership

Club membership is stated at cost less accumulated impairment losses.

2.15 Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its assets to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset of cash-generating unit is the higher of its fair value less costs to sell and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of tangible and intangible assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Interests in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the financial year in which the investment is acquired.

The financial statements of the joint ventures have the same financial year end as the Group. Where necessary, accounting policies of joint ventures have been changed to ensure consistency with the policies adopted by the Group.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale, in which case it is accounted for under FRS 105, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

For partial disposal where the reduction in the Group's ownership interest in joint ventures that do not result in the Group losing joint control, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Interests in joint ventures (cont'd)

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The investment in joint ventures has been accounted at cost in the subsidiary's separate financial statements.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the Company's and Group's statements of financial position when the Company and Group become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments.

Financial assets

The Group's financial assets are classified as loans and receivables and depend on the nature and purpose of the financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity in the period in which they are declared.

Convertible loan notes

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

The liability component of bonds is recognised initially at the fair value of a similar liability (including the embedded non-equity derivative features such as the put option and the call option) that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity but may be transferred within equity.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Convertible loan notes (cont'd)

On conversion of the convertible loan notes at maturity, the Group derecognises the liability component and recognises it as equity. The original equity component remains as equity. There is no gain or loss on conversion at maturity.

When the Group extinguishes the convertible loan notes before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible loan notes at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible loan notes was issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

(i) The amount of gain or loss relating to the liability component is recognised in profit or loss; and

(ii) The amount of consideration relating to the equity component is recognised in equity.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs as set out in Note 2.6.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits that are subject to an insignificant risk of changes in value.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Leases

Operating lease

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.22 Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled share options reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 22 November 2002 that vested after 1 January 2005.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team led by the group of executive directors and the Chief Executive Officer of the Group who make strategic decisions.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant in respect of the compensation receivable from authorities pertaining to the relocation of toll stations at Guihuang, will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by instalment.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3.1 Critical judgements in applying the entity's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the respective entity in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Acquisition accounting

The Group accounts for entities acquired in accordance with FRS 103. The application of this accounting standard requires certain estimates and assumptions especially concerning the determination of fair values of acquired intangible assets, property, plant and equipment, other assets and the liabilities assumed at the date of the acquisition.

The judgement made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, the Group engaged the expert services and assistance of independent valuation specialists. These independent valuation specialists used subjective assumptions and estimates to determine the fair values of the identified net assets of the acquired company. Changes in the assumptions and estimates in the fair values may potentially affect fair values of the identified assets and liabilities. The valuations are based on information available at the acquisition date. Please refer to Note 17 to the financial statements.

Determination of joint control over investment in joint venture, Guihuang Joint Venture

The Group accounted for its 60% of equity interest in Guihuang Joint Venture ("Guihuang"), as at 31 December 2015 as an investment in joint venture. The results of Guihuang have been equity-accounted for in the Group's consolidated financial statements. Given the significant equity interest held in Guihuang, the Group has considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it held control, and if so, whether it had unilateral or joint control, over Guihuang as at the financial year end. In reaching its conclusion, the Group considered also the extent of its involvement during the decision making process over relevant activities through its representation on the Board of Directors, its influence over key management personnel, the voting pattern; as well as the laws and regulations of the People's Republic of China ("PRC") under which the agreement entered into by the Group and its Sino-Joint Venture Partner was crafted to define the scope of decision making authority given to each party.

Notes to Financial Statements

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.1 Critical judgements in applying the entity's accounting policies (cont'd)

Determination of control over investment in subsidiary, Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd

The Group accounted for its 51% equity interest in Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd ("Yongtaiwen") as at 31 December 2015 as an investment in subsidiary. The results of Yongtaiwen have been consolidated in the Group's consolidated financial statements. In view of the equity interest held in Yongtaiwen, the Group has considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it held control over Yongtaiwen as at the financial year end. In reaching its conclusion, the Group considered also the size of its voting rights relative to the size and dispersion of holdings of other vote holders, its representation at shareholders' and directors' meetings and the voting patterns and the composition of key management personnel in Yongtaiwen. Consequently, the Group assessed that it has significant influence over Yongtaiwen and classified the entity as a subsidiary.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

<u>Amortisation of toll road operating rights</u>

Amortisation of toll road operating rights is based on an 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 respective rights to operate the toll roads. The projected total traffic volume over the lease term of each toll road was estimated based on certain assumptions concerning the future. Should the actual traffic volume deviate significantly from the original projected traffic volume, the amortisation of the joint ventures' toll road operating rights may be significantly affected and this could result in a material adjustment to the carrying amount of the Group's investments in the joint ventures and intangible assets. The carrying amount of the Group's intangible assets was HK$20,798,599,000 (2014: HK$12,429,096,000).

<u>Impairment of investments in subsidiaries and joint ventures</u>

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows. Future cash flow estimates which are used to calculate the asset's fair value are discounted using asset specific discount rates and are based on expectations about future operations, primarily comprising estimates about quantative information relating to traffic volume and toll fee income and qualitative factors, operating costs and capital expenditures. Changes in such estimates could impact recoverable amounts of these assets. Estimates are reviewed regularly by management. The Company's carrying amount of investments in subsidiaries as at 31 December 2015 was HK$12,319,906,000 (2014: HK$7,813,732,000). The Group's carrying amount of investments in joint ventures as at 31 December 2015 was HK$1,584,545,000 (2014: HK$1,702,466,000).

<u>Impairment of trade and other receivables</u>

The Group assesses its loans and receivables on a continuous basis for any objective evidence of impairment by considering factors, including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's loans and other receivables as at 31 December 2015 were HK$238,073,000 (2014: HK$199,761,000) and HK$1,124,969,000 (2014: HK$1,012,947,000) respectively.

Notes to Financial Statements

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Fair value of convertible bonds

Convertible bonds are measured at fair value at the initial recognition. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity but may be transferred within equity. As at 31 December 2015, the carrying amount of the convertible bond was HK$144,915,000 (2014: HK$772,964,000).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2015 was HK$261,510,000 (2014: HK$162,065,000) and HK$Nil (2014: HK$Nil) respectively.

4. REVENUE

	Group	
	2015 HK$'000	2014 HK$'000
Toll road revenue	2,173,779	1,994,314
Interest income from fixed deposits with banks	34,022	25,180
	2,207,801	2,019,494

5. OTHER OPERATING INCOME

	Group	
	2015 HK$'000	2014 HK$'000
Bargain purchase gain arose from acquisition of subsidiaries	8,415	22,783
Foreign exchange gain (net)	–	31,068
Subsidy and compensation from authorities	50,149	43,020
Others	6,764	16,545
	65,328	113,416

Notes to Financial Statements

For the financial year ended 31 December 2015

6. FINANCE COSTS

	Group	
	2015	**2014**
	HK$'000	**HK$'000**
Interest on convertible bonds	12,182	29,344
Amortisation of loan arrangement fees	29,296	19,191
Interest on bank borrowings	126,545	76,418
	168,023	124,953

7. SUBSIDY INCOME — GROUP

In accordance with the joint venture agreements of Guiliu JVs and Guihuang JVs, a subsidy is granted to the Group by the respective Sino joint venture partners of the above joint ventures for a specified period. As part of the annual cash distribution by Guiliu JVs and Guihuang JVs, the joint venture partners are entitled to receive an amount equivalent to the non-cash expenses (mainly depreciation and amortisation charges) incurred by the respective joint ventures, which were accounted for in accordance with the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP").

The Group's entitlement of the above-mentioned cash distribution is determined based on its cash sharing ratio in the respective joint ventures, of which a portion calculated based on the Group's capital contribution ratio in the respective joint ventures is accounted for as loan repayment by the respective joint ventures during the year, and the remaining portion is recognised as subsidy income.

The annual subsidy granted by the respective Sino joint venture partners of Guiliu JVs and Guihuang JVs is subject to availability of distributable cash and is only applicable during the following period:

(a) For Guiliu JVs, the Group is entitled to receive the annual subsidy during the period from 1 January 2000 to 31 December 2009; and

(b) For Guihuang JVs, the Group is entitled to receive the annual subsidy during the period from 1 January 2001 to 31 December 2014. However, this was extended to 31 October 2017 following the change in the Concession Expiry Date (See Note 18).

Thereafter, the Group is not entitled to receive any subsidy from the Sino joint venture partners of the above joint ventures.

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax from continuing operations has been arrived at after charging/(crediting):

	Group	
	2015	**2014**
	HK$'000	**HK$'000**
Toll roads and related expense	910,173	906,503
Foreign exchange loss/(gain), net	30,386	(31,068)
Loss on disposal of property, plant and equipment	798	57
Write off of intangible assets	–	185
Non-audit fees paid and payable to auditors of the Company	174	38
Audit fees:		
- paid and payable to auditors of the Company	1,166	1,232
- paid and payable to other auditors	1,967	1,427

Notes to Financial Statements

For the financial year ended 31 December 2015

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (cont'd)

	Group	
	2015 HK$'000	2014 HK$'000
Operating lease expense	5,619	5,822
Staff costs	231,961	206,147
Contributions to defined contribution plans, included in staff costs	20,427	22,671
Directors' remuneration:		
- of the Company	4,589	5,521
- of the subsidiaries	4,138	4,106
Directors' fee	761	825

9. INCOME TAX EXPENSE

	Group	
	2015 HK$'000	2014 HK$'000
Current tax expense		
Current financial year	312,053	265,805
Overprovision in prior financial year	–	(62)
	312,053	265,743
Deferred tax expense		
Movements of temporary differences	26,123	23,275
Overprovision in prior financial year	–	(518)
Total charged to profit or loss (Note 20)	26,123	22,757
Income tax expense	338,176	288,500

The total charge for the financial year can be reconciled to the accounting profit as follows:

Reconciliation of effective tax rate

	Group	
	2015 HK$'000	2014 HK$'000
Profit before tax from continuing operations	1,296,148	1,284,022
Profit before tax from discontinued operations	–	64,092
Profit before tax, total	1,296,148	1,348,114
Less: Share of results of joint ventures, net of tax	(232,577)	(264,417)
Profit before tax excluding share of results of joint ventures	1,063,571	1,083,697
Income tax using domestic rates applicable to profits in each country	242,156	283,886
Expenses not deductible for tax purposes	76,454	21,899
Income not subject to tax	(4,360)	(33,770)
Withholding tax on unremitted profit of joint ventures and subsidiaries	13,019	14,807
Unrecognised deferred tax assets	9,662	2,258
Others	1,245	–
Overprovision in prior financial year	–	(580)
Total income tax expense for the financial year	338,176	288,500

Notes to Financial Statements

For the financial year ended 31 December 2015

10. EARNINGS PER SHARE

Basic earnings per share is based on:

	Group					
	Continuing operations		Discontinued operations		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Profit attributable to ordinary shareholders	597,221	675,323	–	64,092	597,221	739,415

	2015 ('000)	2014 ('000)
Number of ordinary shares in issue at beginning of the financial year	1,045,662	718,856
Issue of shares under share options scheme	1,662	2,537
Issue of shares upon conversion of convertible bonds	59,600	25,894
Issue of shares in connection with the acquisition of subsidiaries	152,867	36,807
Issue of shares under Bonus Issue	54,741	41,298
Conversion of RCPS	–	41,866
Weighted average number of ordinary shares in issue during the financial year	1,314,532	867,258

Diluted earnings per share is based on:

	Group					
	Continuing operations		Discontinued operations		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Profit attributed to ordinary shareholders	597,221	675,323	–	64,092	597,221	739,415
Adjustment on the finance costs arising from full conversion of convertible bonds	7,073	40,538	–	–	7,073	40,538
Adjusted profit attributable to ordinary shareholders	604,294	715,861	–	64,092	604,294	779,953

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, full conversion of the Redeemable Convertible Preference Shares ("RCPS") to ordinary shares and full conversion of convertible bonds into ordinary shares, with the potential ordinary shares weighted for the period outstanding.

Notes to Financial Statements

For the financial year ended 31 December 2015

10. EARNINGS PER SHARE (cont'd)

The effects of the exercise of share options, conversion of the RCPS and conversion of the convertible bonds on the weighted average number of ordinary shares in issue are as follows:

	2015 ('000)	2014 ('000)
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings per share	1,314,532	867,258
Potential ordinary shares issuable under:		
– RCPS	–	93,915
– Share options	1,752	1,243
– Convertible bonds	64,710	196,266
Weighted average number of ordinary shares in issue and potential ordinary shares assuming full conversion	1,380,994	1,158,682

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Cash at bank and in hand	308,582	172,340	35,268	37,926
Fixed deposits with banks	1,834,975	876,838	1,027,510	86,144
Cash and cash equivalents	2,143,557	1,049,178	1,062,778	124,070

The effective interest rates per annum of cash and cash equivalents at the financial year end range from 0.05% to 4.20% (2014: 0.05% to 4.25%) per annum and 0.05% to 4.20% (2014: 0.05% to 0.90%) per annum for the Group and the Company, respectively. Interest rates reprice at intervals of one to three months.

The Group's and Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
United States dollars	117,703	134,982	89,297	102,323
Singapore dollars	13,861	17,624	13,862	17,624
Chinese Renminbi	973,397	2,777	958,085	2,702

Conversion of Chinese Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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For the financial year ended 31 December 2015

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Amounts due from subsidiaries (non- trade) (net of allowances for doubtful debts)	–	–	1,121,577	764,459
Dividend receivable from subsidiary	–	–	–	242,355
Amount receivable from joint ventures	53,217	50,704	–	–
Amount receivable from authorities	50,962	96,382	–	–
Dividends receivable from joint ventures	30,853	190	–	–
Subsidy receivable from Sino joint venture partners	28,998	8,049	–	–
Amount receivable from toll operations	37,634	29,855	–	–
Deposits	865	984	769	878
Prepayments	2,708	5,796	92	4,648
Other receivables	32,836	7,801	2,531	607
Trade and other receivables	238,073	199,761	1,124,969	1,012,947
Add: Cash and cash equivalents (Note 11)	2,143,557	1,049,178	1,062,778	124,070
Less: Prepayments	(2,708)	(5,796)	(92)	(4,648)
Loans and receivables at amortised cost (Note 30(a))	2,378,922	1,243,143	2,187,655	1,132,369

The amounts due from subsidiaries and subsidy receivable from Sino joint venture partners are unsecured and interest-free, and are repayable on demand.

Amount receivable from authorities relates to compensation receivable as a result of relocation of certain toll stations of Guihuang JVs (Note 18).

In view of the loss-making position of one of the subsidiaries, the Company has continued to recognise an allowance for doubtful debts for amount due from subsidiaries of HK$31,075,000 as at 31 December 2015 (2014: HK$31,075,000) in respect of amount considered not recoverable.

There is no movement in the allowance for doubtful debts for amounts due from subsidiaries during the financial years ended 31 December 2015 and 2014.

Included in the Group's trade and other receivables are balances with a carrying amount of HK$234,500,000 (2014: HK$192,981,000) that are neither past due nor impaired. Based on historical default rates, the Group and the Company believe that no impairment allowance is necessary in respect of trade and other receivables not past due. These receivables are entities that have a good credit record with the Group.

The Group's and Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
United States dollars	2	72	2	72
Singapore dollars	1,162	1,626	1,162	1,626
Chinese Renminbi	166,238	155,325	3,544	245,700

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For the financial year ended 31 December 2015

13. INVENTORIES

	Group	
	2015	2014
	HK$'000	HK$'000
Consumable goods	907	970

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 27 September 2013, the Company entered into a conditional sale and purchase agreement with China Merchants Properties Development Limited, an indirectly wholly-owned subsidiary of China Merchants Group Limited, to dispose of its entire interests of China Merchants Pacific (NZ) Limited ("CMP(NZ)").

The sale consideration of HK$356million is inclusive of the entire issued ordinary share capital of CMP(NZ) and the assignment of a shareholder's loan made by the Company to CMP(NZ).

As at 31 December 2013, the assets and liabilities relating to the New Zealand operations ("CMP(NZ)") have been presented in the statement of financial position as "Assets of disposal group classified as held-for-sale" and "Liabilities directly associated with disposal group classified as held-for-sale". All its results are presented separately in the income statement as "Profit/(Loss) from discontinued operations, net of tax".

On 16 April 2014, the Company announced that, as at 1 April 2014, all the conditions precedent for the completion of the disposal have been satisfied. Following such completion, the Company no longer holds any interest in CMP(NZ) and its subsidiaries, and CMP(NZ) and its subsidiaries will cease to be members of the Group (Note 17).

The results of CMP(NZ) for the financial year ended 31 December 2014 was as follows:

	2014
	HK$'000
Revenue	58,204
Impairment loss recognised on remeasurement of disposal group	(14,641)
Finance costs	(1,267)
Foreign currency translation difference reclassified to income statement upon disposal of discontinued operations	80,960
Profit for the financial year	64,092

Cash flow statement disclosures

	2014
	HK$'000
Operating	(22,127)
Investing	(517)
Financing	22,451
Net cash outflows	(193)

Notes to Financial Statements

For the financial year ended 31 December 2015

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (cont'd)

Earnings per share disclosures

	2014
Earnings per share from discontinued operations attributable to owners of the Company (HK Cents):	
Basic	7.39
Diluted	5.53

The basic and diluted earnings per share from discontinued operations are calculated by dividing the earnings from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fittings HK$'000	Plant, machinery and office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Toll road infrastructure HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:										
At 1 January 2014	13,884	121,077	352	417	75,700	16,447	21,305	7,415	8,661	265,258
Additions (Note A)	–	–	1,180	310	2,821	1,657	4,872	–	56,050	66,890
Acquired on acquisition of subsidiaries	–	30	–	–	1,208	–	1,278	–	–	2,516
Disposal	–	–	(359)	(43)	(128)	(337)	(133)	–	–	(1,000)
Reclassifications	–	–	–	867	(3,409)	2,542	–	–	–	–
Transfers (Note 16)	–	–	–	1	(1,064)	12	25	–	(18,510)	(19,536)
Exchange differences	620	(409)	–	11	257	(19)	(33)	(25)	(1,714)	(1,312)
Disposal of discontinued operations	(14,504)	–	–	–	(12,237)	–	–	–	–	(26,741)
At 31 December 2014	–	120,698	1,173	1,563	63,148	20,302	27,314	7,390	44,487	286,075
Additions (Note A)	–	–	14	704	3,094	2,124	8,568	1,312	243,423	259,239
Acquired on acquisition of subsidiaries (Note 17)	–	–	–	435	207	372	2,232	–	–	3,246
Disposals	–	–	–	–	(1,164)	(536)	(243)	–	–	(1,943)
Reclassifications	–	1,850	–	–	2,259	3,619	–	2,548	(10,276)	–
Exchange differences	–	(7,107)	–	(120)	(4,758)	(1,355)	(1,803)	(561)	(10,617)	(26,321)
At 31 December 2015	–	115,441	1,187	2,582	62,786	24,526	36,068	10,689	267,017	520,296
Accumulated depreciation:										
At 1 January 2014	1,881	12,873	331	193	29,731	6,817	6,865	2,928	–	61,619
Depreciation	–	5,219	29	187	8,489	5,585	3,773	2,415	–	25,697
Disposals	–	–	(347)	(40)	(87)	(244)	(63)	–	–	(781)
Reclassifications	–	–	–	13	(182)	169	–	–	–	–
Exchange differences	84	(16)	–	8	281	25	(1)	5	–	386
Disposal of discontinued operations	(1,965)	–	–	–	(8,188)	–	–	–	–	(10,153)
At 31 December 2014	–	18,076	13	361	30,044	12,352	10,574	5,348	–	76,768
Depreciation	–	5,119	120	236	7,362	3,114	4,416	1,848	–	22,215
Disposals	–	–	–	–	(442)	(396)	(27)	–	–	(865)
Exchange differences	–	(1,226)	–	(33)	(1,958)	(815)	(732)	(374)	–	(5,138)
At 31 December 2015	–	21,969	133	564	35,006	14,255	14,231	6,822	–	92,980
Carrying amount:										
At 31 December 2015	–	93,472	1,054	2,018	27,780	10,271	21,837	3,867	267,017	427,316
At 31 December 2014	–	102,622	1,160	1,202	33,104	7,950	16,740	2,042	44,487	209,307

Note A

Included in the addition of property, plant and equipment is an amount of HK$13,429,000 (2014: HK$16,937,000) which remains payable as at 31 December 2015.

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15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold improvements HK$'000	Furniture and fittings HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 January 2014	497	174	190	402	2,033	3,296
Additions	1,180	91	12	–	–	1,283
Disposals	(497)	(100)	(27)	(96)	–	(720)
At 31 December 2014	1,180	165	175	306	2,033	3,859
Additions	14	–	–	167	–	181
Disposals	–	–	–	(42)	–	(42)
At 31 December 2015	1,194	165	175	431	2,033	3,998
Accumulated depreciation:						
At 1 January 2014	476	173	178	233	260	1,320
Depreciation	29	4	4	56	196	289
Disposals	(485)	(100)	(27)	(97)	–	(709)
At 31 December 2014	20	77	155	192	456	900
Depreciation	120	18	6	54	196	394
Disposals	–	–	–	(37)	–	(37)
At 31 December 2015	140	95	161	209	652	1,257
Carrying amount:						
At 31 December 2015	1,054	70	14	222	1,381	2,741
At 31 December 2014	1,160	88	20	114	1,577	2,959

16. INTANGIBLE ASSETS

	Group 2015 HK$'000	Group 2014 HK$'000
Cost:		
At 1 January	13,794,578	10,169,852
Acquired on acquisition of subsidiaries (Note 17)	9,816,994	3,626,513
Transfer from construction-in-progress	–	19,536
Additions	4,024	–
Written off during the financial year	–	(265)
Exchange differences	(1,004,856)	(21,058)
At 31 December	22,610,740	13,794,578
Amortisation:		
At 1 January	1,365,482	885,344
Amortisation for the financial year	544,156	480,415
Written off during the financial year	–	(80)
Exchange differences	(97,497)	(197)
At 31 December	1,812,141	1,365,482
Carrying amount:		
At 31 December	20,798,599	12,429,096

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16. INTANGIBLE ASSETS (cont'd)

The Group's intangible assets mainly pertain to toll road operating rights of its subsidiaries, namely, Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd ("Yongtaiwen"), Ningbo Beilun Port Expressway Co., Ltd ("Beilun"), Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ("Jiurui"), Guangxi Guixing Expressway Investment And Construction Co., Ltd ("Guixing"), Guangxi Guiwu Expressway Guiyang Section Investment And Construction Co., Ltd ("Guiyang") and Guangxi Huatong Expressway Co., Ltd ("Yangping").

According to the relevant government's approval documents and the relevant laws and regulations:

(a) Yongtaiwen was granted the rights to operate Wenzhou Yongtaiwen Expressway (Wenzhou Section) located in the south-eastern area of Wenzhou Municipality (温州市) connecting with Taizhou Municipality (台州市) in the east and Fujian Province (福建省) in the west for a period of approximately 29 years from January 2002 to September 2030;

(b) Beilun was granted the rights to operate Beilun Port Expressway (Ningbo Daqi-Xiwu Section) located in the south-western area of Ningbo Municipality (宁波市) connecting with Taizhou Municipality (台州市) in the south and Hangzhou Municipality (杭州市) in the west for a period of 25 years from December 1998 to December 2023 for Daqi-Dazhujia Section (宁波大碶至大朱家段) and from May 2000 to May 2025 for Panhuo-Xiwu Section (宁波潘火至西坞段);

(c) Jiurui was granted the rights to operate Jiurui Expressway 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) for a period of 30 years from 1 January 2011 to 31 December 2040;

(d) Guixing was granted the rights to operate the Guilin-Xing'an Expressway located at the northern area of Guilin Municipality (桂林市) connecting Guilin urban area with Xing'an County (兴安县) in the northeast of Guangxi (广西) for a period of 29 years from April 2013 to April 2042;

(e) Guiyang was granted the rights to operate the Guilin-Yangshou Expressway located at the southern area of Guilin Municipality (桂林市), which is a part of the G65 National Expressway System connecting Baotou Municipality (包头市) of Inner Mongolia and Maoming Municipality (茂名市) of Guangdong Province (广东省) for a period of 29 years from August 2008 to July 2037; and

(f) Yangping was granted the rights to operate the Yangshou-Pingle Expressway located at the eastern area of Guilin Municipality (桂林市) connecting Yangshou County (阳朔省) with Pingle County (平乐县) in the north-east of Guangxi for a period of 29 years from November 2008 to June 2037.

The amortisation expense, which is recognised over the remaining period of toll roads operating rights has been included as "cost of sales" in the income statement.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Investments in subsidiaries, at cost	1,091,890	1,091,890
Loans to subsidiaries	11,317,749	6,811,575
	12,409,639	7,903,465
Impairment losses	(89,733)	(89,733)
	12,319,906	7,813,732

The loans to subsidiaries are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. These loans form part of the Company's net investments in the subsidiaries.

There are no movements to the Company's provision of impairment losses during the financial years ended 31 December 2014 and 2015.

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Details of the Company's significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective equity held by the Company 2015 %	Effective equity held by the Company 2014 %
Day Castle Investment Limited (1)	Hong Kong	Investment holding	100	100
China Merchants Pacific Infrastructure Management (Shenzhen) Co., Ltd (5)	PRC	Provision of management and technical services in toll road and other infrastructure related businesses	100	100
China Merchants Pacific (Shenzhen) Investment Co., Ltd and its subsidiaries(5):	PRC	Investment holding	100	100
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd (5)	PRC	Operation of toll road	51	51
China Merchants Pacific Business Management (Beijing) Co., Ltd. (5)	PRC	Providing business management and consultancy service	100	100
Successful Road Corporation (2)	British Virgin Islands	Investment holding	100	100
Successful Road Corporation (S) Pte. Ltd.(3) and its subsidiaries(4):	Singapore	Investment holding	100	100
Zheyu One Highway Pte. Ltd.(7)	Singapore	Investment holding	100	100
Zheyu Two Highway Pte. Ltd.(7)	Singapore	Investment holding	100	100
Zheyu Three Highway Pte. Ltd.(7)	Singapore	Investment holding	100	100
Xinan Expressway Pte. Ltd.(3)	Singapore	Investment holding	100	100
Guijin Expressway Pte. Ltd.(3)	Singapore	Investment holding	100	100
Guiyun Highway Pte. Ltd.(3)	Singapore	Investment holding	100	100
Beilun (Hong Kong) Investments Limited(1) and its subsidiary:	Hong Kong	Investment holding	100	100
Ningbo Beilun Port Expressway Co., Ltd.(5)	PRC	Operation of toll road	100	100

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17. INTERESTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective equity held by the Company 2015 %	2014 %
Hong Kong Honest Queen International Investment Limited [(1)]and its subsidiary:	Hong Kong	Investment holding	100	100
Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd [(5)]	PRC	Operation of toll road	100	100
Xinan Guixing Expressway Pte. Ltd.[(3) (6)] and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Guixing Expressway Investment and Construction Co., Ltd. [(5)]	PRC	Operation of toll road	100	–
Xinan Guiyang Expressway Pte. Ltd.[(3) (6)] and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd [(5)]	PRC	Operation of toll road	100	–
Xinan Yangping Expressway Pte. Ltd. [(3) (6)] and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Huatong Expressway Co., Ltd [(5)]	PRC	Operation of toll road	100	–

(1) Audited by ShineWing Certified Public Accountants, Hong Kong, a member of Praxity Global Alliance of Independent Firms, for statutory purposes.

(2) The financial statements of Successful Road Corporation ("SRC") are not required to be audited by the law of its country of incorporation and it had remained inactive during the financial year.

(3) Audited by Mazars LLP, Singapore, for statutory purposes.

(4) Audited by Mazars LLP, Singapore, for consolidation purposes.

(5) Audited by ShineWing Certified Public Accountants, PRC, a member of the Chinese Institute of Certified Public Accountants and a member of Praxity Global Alliance of Independent Firms, for statutory purposes.

(6) Incorporated during the financial year.

(7) In the process of liquidation.

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17. INTERESTS IN SUBSIDIARIES (cont'd)

The Group has the following subsidiary which has non-controlling interests ("NCI") that are material to the Group:

Subsidiary	Principal place of business	Proportion of ownership interest held by NCI		Profit allocated to NCI during the financial year		Accumulated NCI at the financial year end		Dividends paid to NCI	
		2015	2014	2015	2014	2015	2014	2015	2014
		%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	PRC	49	49	360,751	320,199	2,611,160	2,555,731	152,987	404,470

Summarised financial information (before intercompany eliminations):

	Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	
	2015	2014
	HK$'000	HK$'000
Assets		
Non-current	5,807,559	6,443,482
Current	365,988	40,159
Liabilities		
Non-current	312,662	566,071
Current	617,654	797,190
Net assets	5,243,231	5,120,380
Revenue	1,680,332	1,639,636
Profit after tax	740,527	658,126
Total comprehensive income	740,527	658,126
Net cash flow from operating activities	1,132,340	972,065

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except cash and cash equivalents of HK$1,065,267,000 (2014: HK$925,033,000) as at 31 December 2015 held in People's Republic of China are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

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17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in the current financial year

On 23 June 2015, the Group entered into the following Sale and Purchase Agreements in relation to the proposed acquisitions of three expressways located in the Guangxi Zhuang Autonomous Region ("Guangxi"), the PRC:

(a) A conditional share and purchase agreement ("Guixing SPA") to purchase all the issued shares of 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"), which owns the rights to operate the Guilin–Xing'an Expressway (桂林至兴安高速公路) ("Guixing Expressway"), for a cash consideration of RMB1,258,608,469;

(b) A conditional share and purchase agreement ("Guiyang SPA") to purchase all the issued shares of 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"), which owns the rights to operate the Guilin – Yangshuo Expressway (桂林至阳朔高速公路）("Guiyang Expressway"), for a cash consideration of RMB930,000,000; and

(c) A conditional share and purchase agreement ("Yangping SPA") to purchase all the issued shares of Guangxi Huatong Expressway Co., Ltd (广西华通高速公路有限责任公司) ("Yangping Target"), which owns the right to operate the Yangshuo – Pingle Expressway (阳朔至平乐高速公路) ("Yangping Expressway"), for a cash consideration of RMB848,000,000.

The acquisition is to expand the Group's business in the operation of toll roads.

The Group treats this acquisition of subsidiaries as business combination. The completion of the acquisition of the subsidiaries were on 23 September 2015 (Yangping Expressway) and 16 October 2015 (Guixing Expressway and Guiyang Expressway), which are also the dates the Group obtained control.

Fair values of the identifiable assets and liabilities of the above entities as at the date of acquisition:

	Guangxi Guixing Expressway Investment and Construction Co., Ltd HK$'000	Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd HK$'000	Guangxi Huatong Expressway Co., Ltd HK$'000	Total HK$'000
Property, plant and equipment (Note 15)	1,769	1,167	310	3,246
Trade and other receivables	12,553	16,931	2,951	32,435
Intangible assets (Note 16)	4,297,008	3,242,451	2,277,535	9,816,994
Cash and cash equivalents	10,630	15,880	2,143	28,653
Interest-bearing liabilities	(1,939,429)	(1,410,993)	(1,128,634)	(4,479,056)
Deferred tax liabilities	(79,308)	(10,334)	(79,249)	(168,891)
Other liabilities	(768,771)	(713,467)	(43,476)	(1,525,714)
Net identifiable assets at fair value	1,534,452	1,141,635	1,031,580	3,707,667
Total consideration payable	(1,534,244)	(1,133,670)	(1,031,338)	(3,699,252)
Bargain purchase gain arising from acquisitions	208	7,965	242	8,415

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in the current financial year (cont'd)

Effects of the acquisition of the subsidiaries on cash flow:

	2015 HK$'000
Total consideration for 100% equity interest acquired	
- Guixing Expressway	1,534,244
- Guiyang Expressway	1,133,670
- Yangping Expressway	1,031,338
	3,699,252
Consideration paid in cash	3,699,252
Less: Cash and cash equivalents of subsidiaries acquired	(28,653)
Net cash outflows on acquisition during the financial year ended 31 December 2015	3,670,599

No contingent consideration arrangements and contingent liabilities were identified at acquisition.

Trade and other receivables comprise gross contractual amounts due and all of which are expected to be collectible at the date of acquisition.

The bargain purchase gain arising from acquisition of HK$8,415,000 recorded as other operating income arose from the difference between total consideration and the fair value of the identified net assets. The consideration was decided based on the fair value of the transferred equity. This bargain purchase gain is not expected to be taxable for income tax purposes.

From the date of acquisition, the subsidiaries have contributed HK$98,348,000 and HK$9,137,000 to the revenue and profit, net of tax of the Group respectively. If the combination has taken place at the beginning of the financial year, the Group's revenue and profit, net of tax would have been approximately HK$2,627,811,000 and HK$971,468,000 respectively.

Transaction costs related to the acquisition of HK$11,636,000 have been recognised in the Group's profit or loss for the financial year ended 31 December 2015.

Acquisition of subsidiaries in Year 2014

In August 2014, the Group entered into a Sale and Purchase Agreement to acquire 100% equity interest in Hong Kong Honest Queen International Investment Limited and its subsidiary, Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd (collectively known as "Jiurui Expressway"). Jiurui Expressway is principally engaged in the operation of toll road. The transaction was completed on 9 September 2014. The acquisition is to expand the Group's business in the operation of toll roads.

The Group treats this acquisition of subsidiaries as business combination. The acquisition date is 9 September 2014, which is also the date the Group obtained control over Jiurui Expressway.

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in Year 2014 (cont'd)

Fair values of the identifiable assets and liabilities of Hong Kong Honest Queen International Investment Limited and its subsidiary as at the date of acquisition:

	Fair value recognised on date of acquisition HK$'000
Property, plant and equipment (Note 15)	2,516
Trade and other receivables	8,539
Intangible assets (Note 16)	3,626,513
Cash and cash equivalents	11,885
Interest-bearing liabilities	(1,509,285)
Deferred tax liabilities	(249,707)
Other liabilities	(1,026,638)
Net identifiable assets at fair value	863,823
Total consideration payable	(841,040)
Bargain purchase gain arising from acquisition	(22,783)

Effects of the acquisition of the subsidiaries on cash flow:

	HK$'000
Total consideration for 100% equity interest acquired	841,040
Issue of 119,374,987 ordinary shares	(693,552)
Consideration paid in cash	147,488
Less: Cash and cash equivalents of subsidiaries acquired	(11,885)
Exchange difference	(819)
Net cash outflows on acquisition during the financial year ended 31 December 2014	134,784

No contingent consideration arrangements and contingent liabilities were identified at acquisition.

Trade and other receivables comprise gross contractual amounts due and all of which are expected to be collectible at the date of acquisition.

The bargain purchase gain arising from acquisition of HK$22,783,000 recorded as other operating income arose from the difference between total consideration and the net assets value. The consideration was decided based on the fair value of the transferred equity. This bargain purchase gain is not expected to be taxable for income tax purposes.

The fair value of the 119,374,987 ordinary shares issued as part of the consideration paid for the acquisition (HK$693,552,000) was based on the published share price on 9 September 2014.

From the date of acquisition, Hong Kong Honest Queen International Investment Ltd and its subsidiary have contributed HK$31,297,000 and HK$12,287,000 to the revenue and profit, net of tax of the Group respectively. If the combination has taken place at the beginning of the financial year, the Group's revenue and profit, net of tax would have been approximately HK$2,088,692,000 and HK$1,009,890,000 respectively.

Transaction costs related to the acquisition of HK$4,544,000 have been recognised in the Group's profit or loss for the financial year ended 31 December 2014.

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17. INTERESTS IN SUBSIDIARIES (cont'd)

Disposal of discontinued operations in Year 2014

On 16 April 2014, the Company disposed of its entire interest in China Merchants Pacific (NZ) Limited ("CMP(NZ)") and its subsidiaries to a related company for cash consideration of approximately HK$356 million.

Carrying amounts of the assets and liabilities as at the date of disposal are as follows:

	Carrying amount HK$'000
Property, plant and equipment	16,588
Deferred tax assets	23,730
Inventories	567,136
Trade and other receivables	7,815
Cash and cash equivalents	546
Trade and other payables	(175,846)
Interest-bearing liabilities	(38,307)
Provision for warranties	(7,228)
	394,434
Allowance made for impairment loss as remeasurement of disposal group	(38,382)
Net assets	356,052
Cash consideration	356,052
Cash and cash equivalents of CMP(NZ)	(546)
Net cash inflow on disposal of CMP(NZ)	355,506
Gain on disposal:	
Consideration received	356,052
Net assets derecognised	(356,052)
Allowance made for impairment loss as remeasurement of disposal group	(14,641)
Cumulative exchange differences relating to CMP(NZ) reclassified from equity to profit or loss	80,960
Gain on disposal	66,319

18. INTERESTS IN JOINT VENTURES

	Group	
	2015 HK$'000	2014 HK$'000
Investments in joint ventures	674,018	674,018
Share of post-acquisition undistributed profits and other comprehensive income, net of dividends received	968,269	1,033,977
Impairment losses	(100,000)	(100,000)
	1,542,287	1,607,995
Loans to joint ventures	42,258	94,471
	1,584,545	1,702,466

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18. INTERESTS IN JOINT VENTURES (cont'd)

Movement of accumulated impairment loss:

	2015 HK$'000	2014 HK$'000
At 1 January and 31 December	100,000	100,000

The non-interest-bearing loans to joint ventures are an extension of the Group's net investment in joint ventures. The repayment of the amount is at the discretion of the joint ventures.

All joint ventures are private companies and there is no quoted market price available for its shares.

There are no commitments and contingent liabilities relating to the Group's interests in the joint ventures.

Details of the joint ventures are as follows:

(i) The Guiliu Expressway located in Guangxi, PRC, is operated by 12 joint venture companies (the "Guiliu JVs"). The Guiliu JVs are Sino-foreign co-operative joint ventures established in the PRC with operating periods expiring on 31 December 2024. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group 2015 %	Effective equity held by the Group 2014 %
Guangxi Fushan Infrastructure Facilities Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Guida Infrastructure Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Liugui Highway Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Liujing Highway Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Luqing Highway Construction Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Xincun Highway Management Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40

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18. INTERESTS IN JOINT VENTURES (cont'd)

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group	
			2015	2014
			%	%
Guangxi Rongzhu Highway Construction Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Huangli Highway Surface Management Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Wanli Highway Engineering Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Wushi Highway Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Xinya Engineering Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40
Guangxi Zhenxing Infrastructure Co., Ltd. (1) (2) (3)	PRC	Operation of toll road	40	40

The Group and other joint venturer jointly control these 12 joint venture companies.

The Group's profit/cash sharing entitlement in Guiliu JVs differs from the proportion of the registered capital held. The Group was entitled to share 90% of the JV's profit/cash during the period from 1 January 2000 to 31 December 2009.

Thereafter, the profit/cash sharing ratios of the Group in Guiliu JVs will be the same as the proportion of the registered capital held by the Group. Upon expiration of the operating periods, all property, plant and equipment of Guiliu JVs shall be transferred to the respective Sino joint venture partners without compensation.

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18. INTERESTS IN JOINT VENTURES (cont'd)

(ii) The Guihuang Highway (comprising the Guihuang Class 1 Highway and Eastgate Expressway) located in Guizhou, PRC, is operated by 4 joint venture companies (the "Guihuang JVs"). The Guihuang JVs are Sino-foreign co-operative joint ventures established in the PRC. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group 2015 %	Effective equity held by the Group 2014 %
Guizhou Jinguan Highway Co., Ltd. (1) (2) (4)	PRC	Operation of toll road	60	60
Guizhou Jinhua Highway Co., Ltd. (1) (2) (4)	PRC	Operation of toll road	60	60
Guizhou Pantao Highway Co., Ltd. (1) (2) (4)	PRC	Operation of toll road	60	60
Guizhou Yunguan Highway Co., Ltd. (1) (2) (4)	PRC	Operation of toll road	60	60

The Group and other joint venturer jointly control these 4 joint venture companies.

Guihuang JVs were initially granted a 30-year concession period for the operation of the Guihuang Highway from 16 April 1997 to 15 April 2027 (the "Concession Expiry Date"). Pursuant to a notice issued by the Ministry of Transport of the People's Republic of China ("PRC"), the relevant governmental authorities in Guizhou Province, PRC, have determined that the Concession Expiry Date for the Guihuang Class 1 Highway shall be amended to 15 May 2021 (the "Revised Concession Expiry Date"). The Concession Expiry Date for the Eastgate Expressway remains unchanged.

The Group's profit/cash sharing entitlement in Guihuang JVs differs from the proportion of the registered capital held. Pursuant to the Guihuang joint venture agreements (comprising all original and supplemental joint venture agreements), the Group shall be entitled to share 100% of the JV's profit/cash during the period from 1 January 2000 to 31 October 2017.

Thereafter, the profit/cash sharing ratio of Guihuang JVs will be the same as the proportion of the registered capital held by the Group. Upon expiration of the operating periods of Guihuang JVs, all property, plant and equipment of these joint ventures shall be transferred to the respective Sino joint venture partners without compensation.

In 2014, the relevant government authorities in Guizhou Province, PRC, have exercised their authority to relocate and remove certain toll stations along the Guihuang Highway as part of the urban transportation plan for the development of Guiyang city ("Toll Station Relocations"). In this regard, a Relocation Agreement and a Compensation Agreement have been entered into between the Group and the respective parties in January 2014.

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18. INTERESTS IN JOINT VENTURES (cont'd)

Pursuant to the terms of the Compensation Agreement, as compensation as a result of the Toll Station Relocations, an aggregate sum of RMB187.44 million (approximately HK$238.4 million) will be paid by the Transportation Bureau of Guiyang city in four instalments. As at 31 December 2015, deferred income from this compensation amounted to HK$135,336,000 (2014: HK$160,002,000) relating to future periods was recorded.

(1) Audited by ShineWing Certified Public Accountants, PRC, a member of the Chinese Institute of Certified Public Accountants and member of Praxity Global Alliance of Independent Firms, for consolidation purposes.

(2) Although the Group owns more or less than 50% of the equity shares of the entities, the Group and other parties undertake an economic activity that is subject to joint control as established by contractual agreements and the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Accordingly, the entities are regarded as joint ventures.

(3) Audited by 广西中威华通会计师事务所 (Guangxi Zhongwei Huatong Certified Public Accountants Co., Ltd.), a member of the Chinese Institute of Certified Public Accountants, for statutory purposes.

(4) Audited by 立信会计师事务所（特殊普通合伙）贵州分所 (BDO China Shu Lun Pan Certified Public Accountants LLP), a member of the Chinese Institute of Certified Public Accountants, for statutory purposes.

Summarised financial information of the Group's joint ventures ("JV"), reflecting 100% of the underlying joint ventures relevant figures, is set out below.

	Guiliu JVs		Guihuang JVs		Total	
	2015	2014	2015	2014	2015	2014
Assets and liabilities	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Toll road operating rights	1,636,600	1,862,289	452,833	617,508	2,089,433	2,479,797
Other non-current assets	90,286	39,835	25,586	30,879	115,872	70,714
Non-current assets	1,726,886	1,902,124	478,419	648,387	2,205,305	2,550,511
Current assets, excluding cash and cash equivalents	230,656	120,228	126,161	104,425	356,817	224,653
Cash and cash equivalents	243,330	317,560	269,925	117,437	513,255	434,997
Total assets	2,200,872	2,339,912	874,505	870,249	3,075,377	3,210,161
Non-current liabilities	116,220	169,395	37,340	69,819	153,560	239,214
Current liabilities	61,211	66,126	240,608	125,710	301,819	191,836
Total liabilities	177,431	235,521	277,948	195,529	455,379	431,050
Net assets	2,023,441	2,104,391	596,557	674,720	2,619,998	2,779,111
Group's share of JV's net assets	809,376	841,756	357,934	404,832	1,167,310	1,246,588
Add: Adjustment of premium on acquisition at initial investment in JV (net of amortisation)	161,644	191,620	42,382	60,660	204,026	252,280
Add: Additional share of profit for current year	–	–	38,846	66,633	38,846	66,633
Less: Dividends from JV	(170,353)	(157,145)	(32,779)	(215,819)	(203,132)	(372,964)
Add: Others*	252,757	250,858	82,480	164,600	335,237	415,458
At 31 December	1,053,424	1,127,089	488,863	480,906	1,542,287	1,607,995

* Others include exchange differences and other miscellaneous adjustments.

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For the financial year ended 31 December 2015

18. INTERESTS IN JOINT VENTURES (cont'd)

There are no non-financial assets and liabilities as at the financial years ended 31 December 2014 and 2015.

These joint ventures have no bank borrowings as at 31 December 2014 and 2015.

	Guiliu JVs		Guihuang JVs		Total	
	2015	2014	2015	2014	2015	2014
Results	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	742,200	790,600	252,989	299,076	995,189	1,089,676
Interest income	3,860	6,048	877	4,963	4,737	11,011
Expenses, including the following:	(230,229)	(268,280)	(144,666)	(118,875)	(374,895)	(387,155)
Depreciation and amortisation	(131,331)	(128,731)	(102,552)	(109,768)	(233,883)	(238,499)
Profit before tax	515,831	528,368	109,200	185,164	625,031	713,532
Income tax expense	(77,052)	(78,378)	(12,084)	(18,582)	(89,136)	(96,960)
Total profit after tax and other comprehensive income	438,779	449,990	97,116	166,582	535,895	616,572
Group's interest	40%	40%	60%	60%		
Group's share of current year's comprehensive income	175,512	179,996	58,270	99,949	233,782	279,945
Add/(Less): Adjustments						
Additional share of profit	-	-	38,846	66,633	38,846	66,633
Alignment to Group's accounting policy	(3,513)	(2,210)	(16,833)	(24,927)	(20,346)	(27,137)
Other adjustments:						
- Amortisation of premium	(25,293)	(24,016)	(15,186)	(15,897)	(40,479)	(39,913)
- Others	3,950	144	16,824	(15,255)	20,774	(15,111)
Share of results of joint ventures, net of tax	150,656	153,914	81,921	110,503	232,577	264,417

The joint ventures ("JV") are categorised into 2 JV groups, being Guiliu JV group and Guihuang JV group, respectively, on the basis that each JV within the respective groups has been set up to hold investment in different sections of the Guiliu and Guihuang toll roads respectively. Hence, management is of the view that such presentation will better explain the nature and extent of the Group's interests in the JVs and the effects of the interests on the Group's financial position, financial performance and cash flows.

Notes to Financial Statements

For the financial year ended 31 December 2015

18. INTERESTS IN JOINT VENTURES (cont'd)

Dividends received/receivable from Guiliu JVs and Guihuang JVs amounted to HK$170,354,000 (2014: HK$157,145,000) and HK$32,779,000 (2014: HK$215,819,000) respectively.

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

At 31 December 2015, the carrying amount of the Group's investments in joint ventures of HK$1,542,287,000 (2014: HK$1,607,995,000) included the Group's share of the post-acquisition results of the joint ventures and is net of dividends received.

In arriving at the Group's share of post-acquisition results of the joint ventures, the lease prepayment for the toll road operating right owned by each joint ventures was amortised on an 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 which the joint venture is granted the right to operate the toll road.

The projected total traffic volume over the lease term of each toll road was estimated based on certain assumptions concerning the future. Should the actual traffic volume deviate significantly from the original projected traffic volume, the amortisation of the joint ventures' toll road operating rights may be significantly affected and this could result in a material adjustment to the carrying amount of the Group's investments in the joint ventures.

19. CLUB MEMBERSHIP

	Group		Company	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Club membership	376	376	896	896
Impairment losses	–	–	(520)	(520)
	376	376	376	376

20. DEFERRED TAX

	Group	
	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	(1,079,720)	(960,955)

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For the financial year ended 31 December 2015

20. DEFERRED TAX (cont'd)

Movements in deferred tax assets and liabilities of the Group during the financial year are as follows:

Group	Provisions and accelerated tax depreciation HK$'000	Tax losses (Note a) HK$'000	Distributable profit from joint ventures (Note b) HK$'000	Distributable profit from subsidiaries (Note c) HK$'000	Fair value adjustment of assets acquired (Note e) HK$'000	Total HK$'000
At 1 January 2014	4,292	18,425	(13,600)	(23,308)	(676,254)	(690,445)
Acquisition of subsidiaries	–	–	–	–	(249,707)	(249,707)
Credit/(Charge) to profit or loss (Note 9)	–	–	(14,882)	(15,300)	7,425	(22,757)
Utilisation	–	–	13,082	10,112	–	23,194
Exchange differences	191	822	–	–	1,477	2,490
Disposal of discontinued operations	(4,483)	(19,247)	–	–	–	(23,730)
At 31 December 2014	–	–	(15,400)	(28,496)	(917,059)	(960,955)
Acquisition of subsidiaries	–	–	–	–	(168,891)	(168,891)
Credit/(Charge) to profit or loss (Note 9)	–	–	(13,900)	(17,400)	5,177	(26,123)
Utilisation	–	–	8,518	11,255	–	19,773
Exchange differences	–	–	–	–	56,476	56,476
At 31 December 2015	–	–	(20,782)	(34,641)	(1,024,297)	(1,079,720)

(a) Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

(b) Pursuant to the new Corporate Income Tax Law of the PRC which took effect on 1 January 2008, the Group is liable to 5% withholding tax on dividends distribution from the Group's foreign-invested enterprises in respect of its profit generated from 1 January 2008. Movement of deferred tax liabilities arising from distributable profits of the PRC joint ventures and subsidiary generated are expected to be distributed in the foreseeable future are as follows:

	Group 2015 HK$'000	Group 2014 HK$'000
Joint ventures		
At 1 January	15,400	13,600
(Over)/Underprovision in prior financial year	–	(518)
Charged for the financial year	13,900	15,400
Utilisation	(8,518)	(13,082)
At 31 December	20,782	15,400
Subsidiaries		
At 1 January	28,496	23,308
Charged for the financial year	17,400	15,300
Utilisation	(11,255)	(10,112)
At 31 December	34,641	28,496

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For the financial year ended 31 December 2015

20. DEFERRED TAX (cont'd)

(c) At 31 December 2015, deferred tax liability for taxable temporary differences of HK$181,107,000 (2014: HK$181,112,000) related to investments in certain subsidiaries and joint ventures was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(d) The following deductible temporary difference has not been recognised:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Tax losses	1,732,698	803,929	73,691	73,691

The tax losses are subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which the Company and certain subsidiaries operate. Deferred tax assets have not been recognised in respect of the tax losses due to uncertainty in the availability of future taxable profit against which the Group and the Company can utilise the tax losses.

(e) The deferred tax liability is recognised in respect of the fair value adjustment on property, plant and equipment and intangible assets of the acquired subsidiaries described in Note 17.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade payables	427,155	220,791	–	–
Deposits received	201	224	201	216
Other tax payable	65,284	55,916	–	–
Unclaimed dividends	1,459	1,498	1,459	1,498
Advance received	17,702	20,889	–	–
Other payables and accruals	1,573,424	316,613	23,896	20,111
Interest payable	11,180	17,360	6,261	15,854
Trade and other payables	2,096,405	633,291	31,817	37,679
Add: Dividend payable	149,609	498,009	149,609	498,009
Less: Other tax payable	(65,284)	(55,916)	–	–
Add: Borrowings (Note 22)	9,313,538	4,247,038	6,002,763	3,856,387
Financial liabilities at amortised cost (Note 30(a))	11,494,268	5,322,422	6,184,189	4,392,075

Other payables and accruals mainly comprise of security deposits and deposits for repairs and maintenance contracts.

The Group's and Company's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
United States dollars	6,261	14,047	6,261	14,047
Singapore dollars	13,000	9,489	13,000	9,489
Chinese Renminbi	3,523	792	3,523	792

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For the financial year ended 31 December 2015

22. INTEREST-BEARING LIABILITIES

	Group		Company	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Loan A (i)	–	249,615	–	249,615
Less: unamortised borrowing costs	–	(831)	–	(831)
	–	248,784	–	248,784
Loan B (ii)	–	329,576	–	–
Loan C (iii)	32,553	61,075	–	–
Loan D (iv)	1,162,620	1,163,625	1,162,620	1,163,625
Less: unamortised borrowing costs	(7,754)	(11,545)	(7,754)	(11,545)
	1,154,866	1,152,080	1,154,866	1,152,080
Loan E (v)	1,705,176	1,706,650	1,705,176	1,706,650
Less: unamortised borrowing costs	(17,255)	(24,091)	(17,255)	(24,091)
	1,687,921	1,682,559	1,687,921	1,682,559
Loan F (vi)	302,281	–	302,281	–
Loan G (vii)	2,712,780	–	2,712,780	–
Loan H (viii)	1,897,824	–	–	–
Loan I (ix)	1,380,398	–	–	–
	9,168,623	3,474,074	5,857,848	3,083,423
Convertible bonds (x)	144,915	772,964	144,915	772,964
	9,313,538	4,247,038	6,002,763	3,856,387
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,556,497)	(402,048)	(3,525,247)	(248,784)
Amount due for settlement after 12 months	5,757,041	3,844,990	2,477,516	3,607,603

The Group has the following loans:

(i) Bank loan A consists of a United States dollar facility of HK$523,665,000 and a Hong Kong dollar facility of HK$875,000,000 and is repayable in 2 tranches. Repayment commences on 31 January 2012 in instalments with final instalment on 31 July 2015. The interest rate of the respective tranches is charged at BBA LIBOR plus a margin of 0.8% and 1.75% per annum on its United States dollar facility and BBA HIBOR plus a margin of 0.8% and 1.75% per annum on its Hong Kong dollar facility. In the last financial year, the respective tranches average effective interest rate on the United States dollar facility was 2.71% and 2.87% per annum and the average effective interest rate on the Hong Kong dollar facility was 2.86% and 2.88% per annum. The loan was fully repaid during the year.

(ii) Loan B is an unsecured Chinese Renminbi facility of RMB260,000,000. Repayments shall commence in September 2015 in three instalments with final instalment on 1 February 2017. In the last financial year, the average effective interest of the loan is 5.54% per annum. The loan was fully repaid during the year.

(iii) Loan C from a local authority is to finance the operation of a PRC subsidiary and is unsecured and repayable on 15 June 2017. Interest is subject to annual adjustment by the relevant authority. The average effective interest of the loan is 3.30% (2014: 3.22%) per annum.

Notes to Financial Statements

For the financial year ended 31 December 2015

22. INTEREST-BEARING LIABILITIES (cont'd)

(iv) Bank loan D is an unsecured United States dollar facility of US$150,000,000. First repayment shall be 40% of the loan principal which falls in June 2017 while the repayment for the balance loan principal is in June 2018. The interest rate is charged at BBA LIBOR plus a margin of 1.95% per annum. The average effective interest rate of the loan is 2.63% (2014: 2.61%) per annum.

(v) Bank loan E is an unsecured United States dollar facility of US$220,000,000. Its repayment schedule is as follows:

Repayment date	Repayment instalment
September 2016	30%
September 2017	10%
September 2018	10%
September 2019	50%

The interest rate is charged at BBA LIBOR plus a margin of 2.10% per annum. The average effective interest rate of the loan is 2.87% per annum (2014: 2.83%).

(vi) Bank loan F is an unsecured United States dollar facility of US$50,000,000. It is a short term revolving loan. Partial repayment of US$11,000,000 has been made during the year. The remaining loan is repayable on 21 May 2016. The interest rate is charged at BBA LIBOR plus a margin of 1.50% per annum. The average effective interest rate of the loan is 1.95% per annum.

(vii) Bank loan G is an unsecured short term bridging United States dollar facility of US$350,000,000. The loan is repayable on 14 September 2016. The interest rate is charged at BBA LIBOR plus a margin of 0.60% to 1.00% per annum. The average effective interest rate of the loan is 0.98% per annum.

(viii) Loan H is a Chinese Renminbi facility of RMB1,591,000,000, guaranteed by the Company. Repayments commenced in 2015 with quarterly instalments ending in September 2030. The average effective interest of the loan is 4.41% per annum.

(ix) Loan I is a Chinese Renminbi facility of RMB1,157,500,000, guaranteed by the Company. Repayments commenced in 2015 with quarterly instalments ending in October 2030. The average effective interest of the loan is 4.41% per annum.

(x) Convertible bonds

The bonds issued by the Company on 6 November 2012 and with maturity date on 6 November 2017, come with an equity conversion feature which enables the bond holders to convert the bonds at any point in time during the bond period at a rate of S$0.78 (2014: S$0.84) per share and a put option exercisable only on 6 November 2015 for the bond holders to request the Company to redeem their bonds. The bonds also come with a redeemable feature which allows the Company to redeem the bonds at any time after 6 November 2015 till the maturity date, subject to the satisfaction of certain conditions, and a mandatory conversion option which allows the Company to mandatorily convert the bonds into equity on or at any time after 6 November 2015 but not less than 10 days prior to the maturity date, subject to the satisfaction of certain conditions relating to the closing price of the shares.

	Group and Company	
	2015	**2014**
	HK$'000	**HK$'000**
Carrying amount of interest-bearing liabilities as at 1 January	772,964	1,083,111
Partial conversion during the financial year	(454,449)	(327,705)
Partial redemption during the financial year	(182,029)	–
Accreted interest	8,429	17,558
Carrying amount of interest-bearing liabilities as at 31 December	144,915	772,964

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22. INTEREST-BEARING LIABILITIES (cont'd)

(x) Convertible bonds (cont'd)

The fair value of the liability component, included in non-current interest-bearing liabilities, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue and are within Level 2 of the fair value hierarchy. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserve (Note 24).

On 6 November 2015, the Company has exercised its option of early redemption to redeem and cancelled HK$189 million in aggregate principal amount of the bonds. The aggregate principal amount of the bonds remaining outstanding after redemption is HK$150 million and the total number of issued and paid-up ordinary shares of the Company remain unchanged at 1,794,524,100 shares.

Upon early redemption of the convertible bond, the Group allocates the consideration paid and any transaction costs for the redemption to the liability and equity components of the convertible bonds at the date of the transaction.

The carrying amount of bank loans approximate their fair values due to either the relatively short term maturity of these loans or the interest rates approximate the market rates prevailing at end of the financial year.

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23. SHARE CAPITAL

The issued and paid-up share capital comprises ordinary shares and redeemable convertible preference shares ("RCPS") and is as follows:

	Group and Company				
	Ordinary shares (with no par value)		RCPS		Total
	No. of shares ('000)	HK$'000	No. of shares ('000)	HK$'000	HK$'000
Issued and fully paid:					
At 1 January 2014	718,856	2,238,351	135,781	492,055	2,730,406
Shares issued upon conversion of convertible bonds	66,411	351,204	–	–	351,204
Share options exercised	5,238	29,454	–	–	29,454
Shares issued in connection with the acquisition of subsidiaries (Note 17)	119,375	693,552	–	–	693,552
RCPS converted into fully paid ordinary shares	135,781	492,055	(135,781)	(492,055)	–
At 31 December 2014	1,045,661	3,804,616	–	–	3,804,616
At 1 January 2015	1,045,661	3,804,616	–	–	3,804,616
Shares issued upon conversion of convertible bonds	93,797	486,593	–	–	486,593
Share options exercised	2,150	11,082	–	–	11,082
Shares issued through preferential offering in connection with the acquisition of subsidiaries (Note 23)	598,175	3,248,686	–	–	3,248,686
Bonus issue	54,741	310,524	–	–	310,524
At 31 December 2015	1,794,524	7,861,501	–	–	7,861,501

During Year 2015:

(i) 93,796,845 ordinary shares were issued as a result of the conversion of convertible bonds at the conversion price of S$0.826 and S$0.776 respectively;

(ii) 2,150,000 ordinary shares were issued pursuant to share options scheme at a weighted average price of S$0.789;

(iii) 598,174,700 ordinary shares amounting to HK$3,248,686,000 were issued through preferential share offering in connection to the acquisition of subsidiaries (Note 17). This preferential share offering is to finance the said acquisitions; and

(iv) 54,740,985 ordinary shares were issued as a result of the bonus issue on the basis of 1 bonus share for every 20 existing shares held by the shareholders.

All newly issued ordinary shares in financial year 2015 rank pari passu with the existing ordinary shares.

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23. SHARE CAPITAL (cont'd)

During Year 2014:

(i) 66,411,293 ordinary shares were issued as a result of the conversion of convertible bonds at the conversion price of S$0.84 and S$0.826;

(ii) 5,238,000 ordinary shares were issued pursuant to share options scheme at a weighted average price of S$0.789;

(iii) 119,375,987 ordinary shares were issued as a result of the acquisition of subsidiaries (Note 17); and

(iv) 135,781,000 ordinary shares were issued as a result of the conversion of RCPS at the conversion rate of one ordinary share of the Company for every RCPS.

24. RESERVES

Share options reserve

The share options reserve comprises the cumulative value of employee services received for the issue of share options. When the share options are exercised, the related balance previously recognised in the share options reserve is transferred to share capital. When the share options expire, the related balance previously recognised in the share options reserve is transferred to accumulated profits. Further information about share-based payments to employees is set out in Note 25 of the financial statements.

Statutory reserve

The Group's joint ventures and subsidiaries follow PRC GAAP applicable to Sino-foreign co-operative joint venture enterprises in the preparation of their accounting records and statutory financial statements. According to the Articles of Association of the joint ventures and subsidiaries, they are required to transfer certain amounts from their profits after tax to statutory reserve. The transfers to the reserve must be made before the distribution of dividends to equity owners. The percentage of appropriation is at the discretion of the directors of the joint ventures. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group, as well as from the translation of foreign currency loans which form part of the Group's net investments in foreign operations.

Reserve on consolidation

The reserve on consolidation comprises the net excess of the fair values of the net assets over the deemed cost of business combination incurred by SRC in, and the effects arising from, the reverse acquisition of the Company in 2004.

Capital reserve

The capital reserve comprises the equity component of convertible bonds.

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For the financial year ended 31 December 2015

25. SHARE-BASED PAYMENTS

China Merchants Holdings (Pacific) Limited Share Options Scheme 2002 (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 30 May 2002 and modifications to the Scheme were approved by the members of the Company at Extraordinary General Meetings held on 27 April 2006 and 25 April 2008.

Information regarding the Scheme is as follows:

- Group employees (including executive directors), non-executive directors, parent company employees and associate employees, subject to certain conditions, are eligible to participate in the Scheme. Controlling shareholders and their associates are not eligible to participate in the Scheme.
- The maximum discount shall not exceed 20% of the market price on the date of grant of the options.
- Options granted with the exercise price set at market price may be exercised 1 year after the grant date. Options granted with exercise price set at a discount to market price may only be exercised 2 years after the grant date.
- All options are settled by physical delivery of shares.
- Options granted to eligible employees (including executive directors) expire after 10 years from the grant date. Options granted to non-executive directors expire after 5 years from the grant date.
- The Scheme has been expired in 2012.

Details of the share options outstanding during the financial year are as follows:

	Group and Company			
	2015		2014	
	Number of share options ('000)	Weighted average exercise price S$	Number of share options ('000)	Weighted average exercise price S$
Outstanding at the beginning of the financial year	4,250	0.78	9,488	0.78
Exercised during the financial year	(2,150)	0.78	(5,238)	0.78
Bonus issue during the financial year	105	0.75	–	–
Outstanding at the end of the financial year	2,205	0.75	4,250	0.78
Exercisable at the end of the financial year	2,205	0.75	4,250	0.78

On 2 June 2015, the Company has issued and allotted 105,000 bonus shares on the basis of one Bonus Share for every twenty fully paid Shares.

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For the financial year ended 31 December 2015

25. SHARE-BASED PAYMENTS (cont'd)

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

Date of grant of options	Expiry date of options	Exercise price S$	No. of share options outstanding 2015 ('000)	2014 ('000)
6 October 2006	6 October 2016	0.751	2,205	4,250

The exercise price of the share option has been adjusted during the financial year from S$0.789 to S$0.751 as a result of the bonus issue.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions

Grantees of options	Other employees of the Group
Date of grant of options	6 October 2006
Fair value at measurement date	S$0.106
Share price	S$0.800
Exercise price	S$0.751
Expected volatility	25.52%
Expected option life	2.14 years
Expected dividends	6.73%
Risk-free interest rate	2.73%

The expected volatility is based on the historical volatility of comparable companies (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

There are no options granted under the 2002 Scheme to persons who were directors of the Company since the Scheme had expired in 2012.

26. CAPITAL COMMITMENTS

	Group 2015 HK$'000	2014 HK$'000
Capital expenditure contracted but not provided for		
- Commitments for construction-in-progress in relation to toll roads	154,390	–

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27. SEGMENT REPORTING

The Group has one (2014: two) reportable segment(s), as described below, which is the Group's strategic business unit. The strategic business units are involved in two distinct business activities in two different countries. The Board of Directors of the Group reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Toll road operations : Management of the operations of toll roads.
- Property development (discontinued operation) : Residential house building and land development, and provision of mortgage financing for the purchase of residential houses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the management team. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Information about reportable segments

2015	**Toll road operations HK$'000**
External revenue	2,173,779
Interest income	24,493
	2,198,272
Interest expense	(168,023)
Bargain purchase gain arose from acquisition of subsidiaries	8,415
Depreciation and amortisation	(565,977)
Reportable segment profit before income tax	1,309,645
Share of profit of joint ventures, net of tax	232,577
Reportable segment assets	22,539,541
Interests in joint ventures	1,584,545
Capital expenditure	259,058
Reportable segment liabilities	11,513,462

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27. SEGMENT REPORTING (cont'd)

Information about reportable segments (cont'd)

2014	Toll road operations HK$'000	Property development (*discontinued*) HK$'000	Total HK$'000
External revenue	1,994,314	58,204	2,052,518
Interest income	19,966	–	19,966
	2,014,280	58,204	2,072,484
Interest expense	(124,953)	(1,267)	(126,220)
Gain on disposal of discontinued operations	–	66,319	66,319
Bargain purchase gain arose from acquisition of subsidiaries	22,783	–	22,783
Depreciation and amortisation	(505,449)	(374)	(505,823)
Reportable segment profit before income tax	1,310,482	64,092	1,374,574
Share of profit of joint ventures, net of tax	264,417	–	264,417
Reportable segment assets	13,755,150	–	13,755,150
Interests in joint ventures	1,702,466	–	1,702,466
Capital expenditure	65,048	558	65,606
Reportable segment liabilities	5,002,652	–	5,002,652

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING (cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2015 HK$'000	2014 HK$'000
Revenues		
Total revenue for reportable segments	2,198,272	2,072,484
Unallocated revenue	9,529	5,214
Elimination of discontinued operations	–	(58,204)
Consolidated revenue	2,207,801	2,019,494
Profit or loss		
Total profit for reportable segments	1,309,645	1,374,574
Elimination of discontinued operations	–	(64,092)
Unallocated amounts:		
– Other corporate expenses	(13,497)	(26,460)
Consolidated profit before income tax	1,296,148	1,284,022
Assets		
Total assets for reportable segments	22,539,541	13,755,150
Interests in joint ventures	1,584,545	1,702,466
Other unallocated amounts	1,069,287	133,538
Consolidated total assets	25,193,373	15,591,154
Liabilities		
Total liabilities for reportable segments	11,513,462	5,002,652
Other unallocated amounts	1,522,656	1,658,708
Consolidated total liabilities	13,036,118	6,661,360

	Reportable segment totals HK$'000	Adjustments HK$'000	Totals HK$'000
Other material items 2015			
Interest income	24,493	9,529	34,022
Interest expense	(168,023)	–	(168,023)
Capital expenditure	(259,058)	(181)	(259,239)
Depreciation and amortisation	(565,977)	(394)	(566,371)
Other material items 2014			
Interest income	19,966	5,214	25,180
Interest expense	(126,220)	–	(126,220)
Capital expenditure	(65,606)	(1,284)	(66,890)
Depreciation and amortisation	(505,823)	(289)	(506,112)

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING (cont'd)

Geographical information

The Group operates in two (2014: three) principal geographical areas – PRC and Singapore.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in joint ventures and deferred tax assets) by geographical location are detailed below:

	Revenue		Other non-current assets		Interests in joint ventures	
	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Based on location of customers						
PRC	2,207,746	2,019,491	21,223,174	12,635,444	1,584,545	1,702,466
Singapore	55	3	3,117	3,335	–	–
	2,207,801	2,019,494	21,226,291	12,638,779	1,584,545	1,702,466
New Zealand (*discontinued*)	–	58,204	–	–	–	–
	2,207,801	2,077,698	21,226,291	12,638,779	1,584,545	1,702,466

28. OPERATING LEASE COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group and the Company lease office space and office equipment under operating leases. The lease in respect of the office space runs for an initial period of three years, with an option to renew the lease after that date.

At the end of financial year, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	
	2015	2014
	HK$'000	HK$'000
Payable:		
Within 1 year	2,783	3,032
After 1 year but within 5 years	2,301	5,406
	5,084	8,438

Contingencies

Acquisition of subsidiaries in Year 2012

On 14 November 2012, the Group acquired 100% equity interest in Beilun (Hong Kong) Investments Limited which is the holding company of Ningbo Beilun Port Expressway Co., Ltd. (collectively referred as "Beilun").

The consideration transferred for acquisition of Beilun was entirely settled by cash amounting to HK$1,096,925,000.

Notes to Financial Statements

For the financial year ended 31 December 2015

28. OPERATING LEASE COMMITMENTS AND CONTINGENCIES (cont'd)

Acquisition of subsidiaries in Year 2012 (cont'd)

Contingent consideration arrangement

As part of the purchase agreement with the sellers of Beilun, a contingent consideration has been agreed. Additional cash payment shall be due to the sellers of:

(a) A minimum of RMB1.00 if the final toll period determine by the Zhejiang government approval is 31 December 2023; and

(b) A maximum of RMB400,000,000 of (1) the final toll period determine by the Zhejiang government approval is on and after 31 December 2027 or (2) the Zhejiang government approval has not granted by 31 December 2027 and as of 31 December 2027, Ningbo Beilun Port Expressway Co., Ltd. has not ceased its normal operations and toll collection for the Beilun Port Expressway and it has not received any written directions from the relevant PRC governmental authorities or a court order, pursuant to applicable PRC laws and regulations which limit the maximum duration of toll operating rights for toll roads in eastern provinces of mainland PRC to not more than 25 years, to cease its normal operations and toll collections for the Beilun Port Expressway.

However, at the date of the acquisition and as at 31 December 2015, the management is not able to reliably determine the fair value of the contingent consideration as uncertainty on the outcome of approval from the Zhejiang government.

As at 31 December 2015 and 2014, 25% of the shares of Ningbo Beilun Port Expressway Co., Ltd. had been pledged to the seller as part of the security in respect of the contingent consideration as at date of acquisition.

29. RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

  (i) Has control or joint control over the Company;

  (ii) Has significant influence over the Company; or

  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

For the financial year ended 31 December 2015

29. RELATED PARTY TRANSACTIONS (cont'd)

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In 2014, the Company had disposed one of its subsidiary group to a related company resulting in a gain of disposal of HK$66,319,000 (Note 17). There are no such related party transactions during the current financial year.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Short-term employee benefits	26,687	24,665	9,332	9,993
Post-employment benefits	3,118	2,692	877	938
	29,805	27,357	10,209	10,931

Directors also participate in the Group's employee share options scheme. At the end of the financial year, there were nil (2014: nil) outstanding share options which were granted to the directors of the Company.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Loans and receivables (Note 12)	2,378,922	1,243,143	2,187,655	1,132,369
Financial liabilities				
Amortised cost (Note 21)	11,494,268	5,322,422	6,184,189	4,392,075

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Group's overall policy with respect to managing risk arising in the normal course of the Group's business as well as that associated with financial instruments is to minimise the potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarised below:

(i) Foreign currency risk management

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily the Chinese Renminbi, United States dollar and the Singapore dollar. The Group does not use derivative financial instruments to hedge its foreign currency risk.

The Group's exposure to foreign currency risk relates mainly to its operations in the PRC, which are transacted in Chinese Renminbi. The Chinese Renminbi is not freely convertible into foreign currencies. Pursuant to the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale effective from 1 July 1996, foreign exchange required for the payment of dividends that are payable in foreign currencies under applicable regulations, such as dividends payable to the foreign partner of a co-operative joint venture, may be purchased from designated foreign exchange banks upon presentation of the board resolution authorising the distribution of dividends, together with the joint venture's audited financial statements and tax clearance documents from the relevant tax authorities.

Upon termination of the co-operative joint ventures and provided that liquidation has been completed, taxes have been paid and the relevant PRC regulations including those of the State Administration for Foreign Exchange have been complied with, the Chinese Renminbi funds belonging to the Group may be remitted or brought out of the PRC in foreign exchange purchased from designated foreign exchange banks.

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group			
	Assets		Liabilities	
	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars	117,703	135,054	23,515	49,993
Singapore dollars	14,932	19,016	13,000	9,489
Chinese Renminbi	1,139,635	158,102	3,524	792

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Foreign currency risk management (cont'd)

	Company			
	Assets		Liabilities	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
United States dollars	89,298	102,395	23,515	49,993
Singapore dollars	14,932	19,016	13,000	9,489
Chinese Renminbi	961,629	248,402	3,524	792

The above carrying amounts include intercompany balances that are not denominated in the functional currencies of the respective entities and are eliminated on consolidation.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase or decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact		Chinese Renminbi impact	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Group						
Profit or loss	9,419	8,506	193	953	113,611	15,731
Company						
Profit or loss	6,578	5,240	193	953	95,811	24,761

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact		Chinese Renminbi impact	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Group						
Profit or loss	(9,419)	(8,506)	(193)	(953)	(113,611)	(15,731)
Company						
Profit or loss	(6,578)	(5,240)	(193)	(953)	(95,811)	(24,761)

The statement of changes in equity will also be impacted by the same amount as disclosed above.

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions. The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The interest rates and terms of repayment of the Group's floating rate borrowings are disclosed as follows:

	Principal HK$'000	**Interest rate range**
Group		
2015		
Borrowings from financial institutions	9,193,633	1.34% – 4.41%
2014		
Borrowings from financial institutions	3,510,540	2.08% – 5.54%
Company		
2015		
Borrowings from financial institutions	5,882,858	1.34% – 2.52%
2014		
Borrowings from financial institutions	3,119,889	2.08% – 2.43%

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 100 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit for the financial year ended 31 December 2015 of the Group and Company would decrease/increase by HK$91,937,000 (2014: HK$35,108,000) and HK$58,829,000 (2014: HK$31,201,000), respectively.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments in securities are allowed only with counterparties who have sound credit ratings.

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Credit risk management (cont'd)

At the end of the financial year, there was no significant concentration of credit risk other than the subsidy receivable due from Sino joint venture partners and receivable from toll road operations disclosed in Note 12. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by maintaining sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liabilities when due, under both normal and stressed condition, without incurring unacceptable losses or risking damage to the Group's reputation.

Except for interest-bearing liabilities as disclosed below, substantially all financial assets and liabilities of the Group and the Company are on demand or due within one year.

The following detailed the remaining contractual maturities of its non-derivative financial instruments which are based on contractual undiscounted cashflows based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows.

Group	Effective interest rate %	Less than 1 year HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Undiscounted financial assets					
Cash and cash equivalents	0.05% – 4.20%	2,143,557	–	–	2,143,557
Trade and other receivables	–	235,365	–	–	235,365
As at 31 December 2015		2,378,922	–	–	2,378,922
Cash and cash equivalents	0.05% – 4.25%	1,049,178	–	–	1,049,178
Trade and other receivables	–	193,965	–	–	193,965
As at 31 December 2014		1,243,143	–	–	1,243,143
Undiscounted financial liabilities					
Trade and other payables	–	788,612	1,242,509	–	2,031,121
Bank borrowings, floating interest rates	0.80% – 4.41%	3,777,811	3,090,959	4,106,644	10,975,414
Dividend payable	–	149,609	–	–	149,609
Convertible bonds	3.16%	1,875	151,562	–	153,437
As at 31 December 2015		4,717,907	4,485,030	4,106,644	13,309,581
Trade and other payables	–	450,747	161,653	–	612,400
Bank borrowing, floating interest rates	2.60% – 5.54%	491,829	3,295,407	–	3,787,236
Dividend payable	–	498,009	–	–	498,009
Convertible bonds	3.16%	10,206	835,375	–	845,581
As at 31 December 2014		1,450,791	4,292,435	–	5,743,226
Total undiscounted net financial assets/(liabilities)					
– at 31 December 2015		(2,338,985)	(4,485,030)	(4,106,644)	(10,930,659)
– at 31 December 2014		(207,648)	(4,292,435)	–	(4,500,083)

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iv) Liquidity risk management (cont'd)

Company	Effective interest rate %	Less than 1 year HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Undiscounted financial assets					
Cash and cash equivalents	0.05% – 4.20%	1,062,778	–	–	1,062,778
Trade and other receivables	–	1,124,877	–	–	1,124,877
As at 31 December 2015		2,187,655	–	–	2,187,655
Cash and cash equivalents	0.05% – 0.90%	124,070	–	–	124,070
Trade and other receivables	–	1,008,299	–	–	1,008,299
As at 31 December 2014		1,132,369	–	–	1,132,369
Undiscounted financial liabilities					
Trade and other payables	–	31,817	–	–	31,817
Bank borrowing, floating interest rates	0.80% – 2.52%	3,599,960	2,456,136	–	6,056,096
Dividend payable	–	149,609	–	–	149,609
Convertible bonds	3.16%	1,875	151,562	–	153,437
As at 31 December 2015		3,783,261	2,607,698	–	6,390,959
Trade and other payables	–	37,679	–	–	37,679
Bank borrowing, floating interest rates	2.60% – 2.88%	318,713	3,045,090	–	3,363,803
Dividend payable	–	498,009	–	–	498,009
Convertible bonds	3.16%	10,206	835,375	–	845,581
As at 31 December 2014		864,607	3,880,465	–	4,745,072
Total undiscounted net financial assets/(liabilities)					
– at 31 December 2015		(1,595,606)	(2,607,698)	–	(4,203,304)
– at 31 December 2014		267,762	(3,880,465)	–	(3,612,703)

31. FAIR VALUE OF ASSETS AND LIABILITIES

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

Due to their short-term nature, the carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

Assets and liabilities that are measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) Level 1 — the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 — in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

Notes to Financial Statements

For the financial year ended 31 December 2015

31. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

(c) Level 3 — in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Valuation policies and procedures

The Group's directors oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The directors are responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance.

The directors also review on an ad-hoc basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations pertaining to acquisitions and disposals are then reported to the Audit Committee and Board of Directors for comments and approval.

During the financial year, there is no change in the applicable valuation techniques.

32. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 22 and equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in Notes 23 and 24.

Management monitors capital based on a gearing ratio and the gearing ratio is calculated as total interest-bearing liabilities divided by total equity plus total interest-bearing liabilities.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2014.

Notes to Financial Statements

For the financial year ended 31 December 2015

32. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES (cont'd)

	Group		Company	
	2015	**2014**	**2015**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Total interest-bearing liabilities	9,313,538	4,247,038	6,002,763	3,856,387
Total equity and total interest-bearing liabilities	21,470,793	13,176,832	14,329,344	8,418,396
Gearing ratio	43%	32%	42%	46%

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

As disclosed in Note 24, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

Supplementary Information

1 DIRECTORS' REMUNERATION

Company's directors receiving remuneration from the Group:

	Number of directors 2015	2014
Remuneration of:		
S$500,000 and above	–	–
S$250,000 to below S$500,000	2	2
Below S$250,000	4	4
	6	6

2 NUMBER OF EMPLOYEES

The number of employees in the Group and the Company as at 31 December 2015 were 1,571 (2014: 1,172) and 13 (2014: 12) respectively.

3 INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK$'000	Aggregate value of all interested person transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) HK$'000
China Merchants Chongqing Communications Research and Design Institute Co., Ltd and its subsidiary		
– Engineering consultancy service in relation to the acquisition of three expressways in People's Republic of China, namely Guixing Expressway, Guiyang Expressway and Yangping Expressway.	382	–
– Major road and bridge upgrading contract in relation to Yongtaiwen Expressway and Jiurui Expressway.	4,882	–
CIESCO (Singapore) Pte Ltd		
– Rental and related expenses in relation to shared office premises.	834	–
	6,098	–

Supplementary Information

4 GROUP PROPERTIES

(a) Details of the leasehold properties held by the Group as at 31 December 2015 and 2014, are set out below:

Location	Land area	Tenure	Use
Wenzhou, Zhejiang 新城大道，发展大厦 Level 18 to 19 China	2,690 sq. metres	Lease expiring on 1 December 2033	Office
Wenzhou, Zhejiang 新城大道，发展大厦 Base 31 to 37 garage China	329 sq. metres	Lease expiring on 1 February 2034	Parking Lots
Wenzhou, Zhejiang 府东路，中晨大楼 Room 208 China	112 sq. metres	Lease expiring on 1 October 2035	Canteen
Wenzhou, Zhejiang 府东路，中晨大楼 Room 209 China	141 sq. metres	Lease expiring on 1 October 2035	Hostel
Wenzhou, Zhejiang 平阳县昆阳镇民丰村 清障集散中心 China	1,094 sq. metres	Lease expiring on 1 September 2030	Wreakage rescue
Ruichang, Jiangxi 江西省瑞昌市（瑞昌收费站旁） China	306 sq. metres	Lease expiring on 28 March 2022	Parking Lots

The 1Q2016 Results set out below have been extracted from the announcement by the Company on 28 April 2016, and were not specifically prepared for inclusion in this Circular. The figures have not been audited.

CHINA MERCHANTS HOLDINGS (PACIFIC) LTD
Company Registration Number: 198101278D

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2016

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2, & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1.(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Income Statement

		Group		
		First quarter ended 31 March		
		2016	2015	Change
		HK$'000	HK$'000	%
Revenue	(i)	634,672	494,274	28
Cost of sales		(256,192)	(218,704)	17
Gross profit	(i)	378,480	275,570	37
Other operating income	(ii)	4,076	8,463	(52)
Administrative expenses	(iii)	(23,665)	(21,165)	12
Other operating expenses		(7)	(2)	250
Finance costs	(iv)	(68,547)	(32,989)	108
Subsidy income	(v)	5,269	5,707	(8)
Share of results of joint ventures, net of tax	(vi)	56,619	63,519	(11)
Profit before tax from continuing operations		352,225	299,103	18
Income tax expense	(vii)	(97,920)	(74,401)	32
Profit from continuing operations, net of tax		254,305	224,702	13
Profit for the period		254,305	224,702	13
Attributable				
Owners of the Company		164,058	142,259	15
Non-controlling interest		90,247	82,443	9
		254,305	224,702	13

Consolidated Statement Of Comprehensive Income

	Group		
	First quarter ended 31 March		
	2016	2015	Change
	HK$'000	HK$'000	%
Profit for the period	254,305	224,702	13
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Translation differences arising on consolidation	73,282	(55,336)	N.M.
Total items that may be reclassified to profit or loss, representing other comprehensive income for the period	73,282	(55,336)	N.M.
Total comprehensive income for the year	327,587	169,366	93
Attributable to:			
Owners of the Company	222,632	96,171	131
Non-controlling interests	104,955	73,195	43
	327,587	169,366	93

N.M.: Not Meaningful

Acquisition of three expressways located in Guangxi Zhuang Autonomous Region, namely Guixing Expressway, Guiyang Expressway and Yangping Expressway (together the "three Guangxi Expressways").

On 23 June 2015, three directly wholly-owned subsidiaries of the Company entered into three conditional sale and purchase agreements to acquire 100 per cent equity interests in Guangxi Guixing Expressway Investment and Construction Co., Ltd. (the "Guixing Target"), Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. (the "Guiyang Target") and Guangxi Huatong Expressway Co., Ltd. (the "Yangping Target"). Guixing Target owns the rights to operate the Guilin - Xing'an Expressway ("Guixing Expressway"). Guiyang Target owns the rights to operate the Guilin - Yangshuo Expressway ("Guiyang Expressway"). Yangping Target owns the rights to operate the Yangshuo - Pingle Expressway ("Yangping Expressway").

Pursuant to the sale and purchase agreement in relation to the acquisition of Yangping Expressway, the acquisition of Yangping Expressway was completed on 23 September 2015 and the financial results of Yangping Expressway have been consolidated to the Group's accounts as a subsidiary since then.

Pursuant to the sale and purchase agreement in relation to the acquisition of Guixing Expressway, the acquisition of Guixing Expressway was completed on 16 October 2015 and the financial results of Guixing Expressway have been consolidated to the Group's accounts as a subsidiary since then.

Pursuant to the sale and purchase agreement in relation to the acquisition of Guiyang Expressway, the acquisition of Guiyang Expressway was completed on 16 October 2015 and the financial results of Guiyang Expressway have been consolidated to the Group's accounts as a subsidiary since then.

Notes to Income Statement

The Group currently operates eight toll roads, they are Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway, three Guangxi Expressways, Gui Liu Expressway and Gui Huang Highway. Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway, three Guangxi Expressways are accounted for as subsidiaries and contribute most of the Group revenue. Gui Liu Expressway and Gui Huang Highway are accounted for as joint ventures using the equity method. Toll revenue from these joint ventures is not included in Group revenue and contribution from them is mainly recognised below the operating level.

(i). Group revenue and gross profit for the period ended 31 March 2016 increased 28% and 37% respectively compared to the same period of previous year. The increase in Group revenue was largely attributable to the consolidation of three Guangxi Expressways within the period, the revenue growth of Yongtaiwen Expressway, and the revenue growth of Beilun Port Expressway, offset by contribution decrease from Jiurui Expressway. Group gross profit was up mainly due to aforesaid increased revenue contribution and lower increase of cost of sales against revenue increase.

(ii). Other operating income decreased mainly due to lower deferred income and effective interest income on other receivables relating to compensation granted by local government authorities as a result of the relocation and removal of certain toll stations along Gui Huang Highway (Please refer to the announcement dated 23 January 2014 for details).

(iii). Administrative expenses increased mainly due to the consolidation result of three Guangxi Expressways.

(iv). Finance costs increased mainly due to higher bank borrowing amount and higher USD interest rate offset by lower interest recognised against convertible bonds.

(v). Subsidy income is granted by the Sino joint venture partner of Gui Huang joint ventures from 1 January 2001 to 31 December 2015 in accordance to the original joint venture agreement and is extended to 31 October 2017 subsequently according to the supplemental contract signed in December 2013 in view of the reduction of concession period by six years for Gui Huang Class 1 Highway (Please refer to the Company's announcement dated 20 December 2013 for further details). Subsidy income is calculated based on 40% of the non-cash expenses (mainly depreciation and amortisation charges) of the joint ventures.

(vi). Share of results of joint ventures relates to the contributions from the Group's two toll roads, namely Gui Liu Expressway and Gui Huang Highway. The details are set out in item 8.

(vii). Income tax expense include current tax and deferred tax, current tax increased as the result of higher income tax expense registered by Yongtaiwen Expressway and Beilun Port Expressway, while increased deferred tax come from Jiurui Expressway and the consolidation result of three Guangxi Expressways.

(ix) Additional disclosures

	Group		
	First quarter ended 31 March		
	2016	2015	Change
	HK$'000	HK$'000	%
Interest income*	8,790	1,958	349
Amortisation of intangible assets**	(163,185)	(131,046)	25
Depreciation of property, plant and	(5,339)	(5,939)	(10)
(Loss)/Gain on disposal of property, plant and equipment	(2)	4	N.M.
Foreign exchange gain/(loss)****	(2,820)	(2,860)	(1)

N.M.: Not Meaningful

*Interest income increased due to higher fixed deposit savings amount and higher fixed deposit saving interest rate.

**Amortisation expenses increased mainly due to consolidation of three Guangxi Expressways.

***Depreciation of property, plant and equipment decreased mainly attribute to one major equipment at Beilun Port Expressway did not record depreciation in Q1 2016 as it was fully depreciated in the year of 2015.

****Foreign exchange loss arose from the depreciation of RMB against Hong Kong dollar.

1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

		Group		Company	
		As at 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Current assets					
Cash and cash equivalents		2,353,223	2,143,557	527,200	1,062,778
Trade and other receivables	(i)	212,354	238,073	1,122,848	1,124,969
Inventories		1,103	907	-	-
Total current assets		2,566,680	2,382,537	1,650,048	2,187,747
Non-current assets					
Property, plant and equipment		427,199	427,316	2,639	2,741
Intangible assets		20,745,657	20,798,599	-	-
Interests in subsidiaries		-	-	12,326,545	12,319,906
Interests in joint ventures		1,631,519	1,584,545		
Club membership		376	376	376	376
Total non-current assets		22,804,751	22,810,836	12,329,560	12,323,023
Total assets		25,371,431	25,193,373	13,979,608	14,510,770
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	(ii)	2,341,841	2,096,405	24,736	31,817
Interest-bearing liabilities	(iii)	675,135	3,556,497	646,117	3,525,247
Dividend payable	(iv)	-	149,609	-	149,609
Income tax payable	(v)	327,531	261,510	-	-
Total current liabilities		3,344,507	6,064,021	670,853	3,706,673
Non-Current liabilities					
Interest-bearing liabilities	(iii)	8,308,933	5,757,041	5,011,824	2,477,516
Deferred income		131,478	135,336	-	-
Deferred tax liabilities		1,101,671	1,079,720	-	-
Total non-current liabilities		9,542,082	6,972,097	5,011,824	2,477,516
Capital, reserves and non-controlling interests					
Share capital		7,861,501	7,861,501	7,861,501	7,861,501
Share option reserve		200	200	200	200
Statutory reserve		243,138	239,291	-	-
Currency translation reserve		(138,383)	(197,443)	-	-
Reserve on consolidation		(78,930)	(78,930)	-	-
Capital reserve		15,234	15,234	15,234	15,234
Accumulated profits		1,865,967	1,706,242	419,996	449,646
Equity attributable to owners of the company		9,768,727	9,546,095	8,296,931	8,326,581
Non-controlling interests		2,716,115	2,611,160	-	-
Total equity		12,484,842	12,157,255	8,296,931	8,326,581
Total liabilities and equity		25,371,431	25,193,373	13,979,608	14,510,770

Notes to the balance sheet

(i) Trade and other receivables decreased mainly due to decrease of recognition of compensation receivable in respect of the relocation of toll stations along Gui Huang Highway.

(ii) Trade and other payables increased mainly due to increased operating cost on accrual basis and advance received from external parties.

(iii) Overall interest bearing liabilities decreased due to repayment of revolving term loan in Q1 2016. Current interest-bearing liabilities decreased as well as non current interest-bearing liabilities increased as a result of drawdown of club loan amount to USD350 million to replace bridge loan with same amount.

(iv) Dividend payable decreased due to dividends was paid to the substantial shareholder - Eastern Overseas Limited.

(v) Income tax payable increased due to provision for income tax increase by Yongtaiwen Expressway.

(vi) As at 31 March 2016, total current assets of the Group amounted to HK$2,566.7 million and total current liabilities of the Group amounted to HK$3,344.5 million, which resulted in a negative working capital of HK$777.9 million. The improvement compared to the amount as at 31 December 2015 was mainly due to drawdown of 5 years club loan and repayment of revolving term loan.

1.(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
HK$'000	HK$'000	HK$'000	HK$'000
-	675,135	-	3,556,497

Amount repayable after one year

As at 31/03/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
HK$'000	HK$'000	HK$'000	HK$'000
-	8,308,933	-	5,757,041

Details of any collateral

Not applicable.

1.(c) A statement of cash flows (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

		Group	
		First quarter ended 31 March	
		2016	2015
		HK$'000	HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		352,225	299,103
Adjustments for:-			
Depreciation of property, plant and equipment		5,339	5,939
Amortisation of intangible assets		163,185	131,046
(Gain)/Loss on disposal of property, plant and equipment		2	(4)
Interest expense		64,594	22,038
Interest income		(8,790)	(1,958)
Amortisation of loan arrangement fee		3,054	5,297
Interests on convertible bonds		1,145	5,654
Amortisation of deferred income		(3,857)	(6,225)
Effective interests on compensation receivable		(492)	(2,970)
Exchange differences		(8,316)	7,134
Share of results of joint ventures		(56,619)	(63,519)
Operating cash flows before movements in working capital		511,470	401,535
Inventories		(183)	(93)
Trade and other receivables		25,723	(46,897)
Trade and other payables		261,643	116,896
Cash generated from operations		798,653	471,441
Income taxes paid		(17,419)	(8,220)
Net cash generated from operating activities	(i)	781,234	463,221
INVESTING ACTIVITIES			
Interest received		10,773	4,873
Purchase of property, plant and equipment		(23,137)	(62,341)
Proceeds from disposal of property, plant and equipment		-	5
Net cash used in investing activities		(12,364)	(57,463)
FINANCING ACTIVITIES			
Interest paid		(66,652)	(27,455)
Issue of shares under share option scheme		-	2,470
Proceeds from bank loans		2,714,075	-
Repayment of bank loans		(3,019,700)	(66,568)
Long term loan's financing related fees paid		(48,830)	-
Dividends paid to owners of the Company		(149,609)	-
Net cash generated from/(used in) financing activities	(ii)	(570,716)	(91,553)
Net increase/(decrease) in cash and cash equivalents		198,154	314,205
Cash and cash equivalents at beginning of the period		2,143,557	1,049,178
Net effect of exchange rate changes in the balance of cash held in foreign currencies		11,512	(4,374)
Cash and cash equivalents at end of the period		2,353,223	1,359,009

(i) Increased net cash generated from operating activities is mainly due to increase of group revenue.

(ii) Increased net cash used in financing activities is mainly due to payment of more interest, payment of revolving term loan in Q1 2016, payment of financing fee related to USD350 million club loan, and payment of dividend to the substantial shareholder - Eastern Overseas Limited.

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

The Group	Share capital HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Currency translation reserve HK$'000	Reserve on consolidation HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-Controlling Interests HK$'000	Total equity HK$'000
At 1 January 2016	7,861,501	200	239,291	(197,443)	(78,930)	15,234	1,706,242	9,546,095	2,611,160	12,157,255
Total comprehensive income for the period	-	-	-	58,574	-	-	164,058	222,632	104,955	327,587
Transfer from accumulated profits	-	-	3,847	-	-	-	(3,847)	-	-	-
Share options exercised	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares upon conversion of convertible bonds	-	-	-	-	-	-	-	-	-	-
At 31 March 2016	7,861,501	200	243,138	(138,869)	(78,930)	15,234	1,866,453	9,768,727	2,716,115	12,484,842

The Group	Share capital HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Currency translation reserve HK$'000	Reserve on consolidation HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-Controlling Interests HK$'000	Total equity HK$'000
At 1 January 2015	3,804,616	1,513	201,154	483,068	(78,930)	55,036	1,907,606	6,374,063	2,555,731	8,929,794
Total comprehensive income for the period	-	-	-	(46,088)	-	-	142,259	96,171	73,195	169,366
Transfer from accumulated profits	-	-	4,356	-	-	-	(4,356)	-	-	-
Share options exercised	2,802	(332)	-	-	-	-	-	2,470	-	2,470
Issue of ordinary shares upon conversion of convertible bonds	97,687	-	-	-	-	(6,483)	-	91,204	-	91,204
At 31 March 2015	3,905,105	1,181	205,510	436,980	(78,930)	48,553	2,045,509	6,563,908	2,628,926	9,192,834

The Company	Share capital HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2016	7,861,501	200	15,234	449,646	8,326,581
Total comprehensive income for the period	-	-	-	(29,650)	(29,650)
Share options exercised	-	-	-	-	-
Issue of ordinary shares upon conversion of convertible bonds	-	-	-	-	-
At 31 March 2016	7,861,501	200	15,234	419,996	8,296,931

The Company	Share capital HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2015	3,804,616	1,513	55,036	700,844	4,562,009
Total comprehensive income for the period	-	-	-	(43,200)	(43,200)
Share options exercised	2,802	(332)	-	-	2,470
Issue of ordinary shares upon conversion of convertible bonds	97,687	-	(6,483)	-	91,204
At 31 March 2015	3,905,105	1,181	48,553	657,644	4,612,483

1.(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

During the three-month period ended 31 March 2016, there were no conversion of the Company's convertible bonds.

As at 31 March 2016, the total number of unexercised options under the share option scheme was 2,205,000 (31 December 2015: 2,205,000).

The Company has the following convertible bonds which remain outstanding as at 31 March 2016:

Principal Amount Outstanding	Maturity Date	Conversion price per share
HK$150,000,000	6 November 2017	S$0.776

As at 31 March 2016, assuming all the convertible bonds are fully converted based on the conversion price, the number of new ordinary shares to be issued would be 30,512,379 (31 December 2015: 30,512,379), representing approximately 1.70% (31 December 2015: 1.70%) of the issued share capital of the Company.

1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

The total number of issued shares as at 31 March 2016 comprised 1,794,524,100 ordinary shares (31 December 2015: 1,794,524,100).

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRS") including related Interpretations ("INT FRS"), that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. The adoption of the new and revised FRS and INT FRS did not give rise to any adjustments to the opening balances of the accumulated profits of the Group and of the Company for the prior and current periods or to changes in comparatives.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	First quarter ended 31 March	
	2016	2015
Earnings per ordinary share for the year after deducting any provision for preference share dividends:-		
(a) Based on weighted average number of ordinary shares in issue (in HK cents)*	9.14	12.81
(b) On a fully diluted basis (in HK cents)*	9.07	11.97

* Comparative figures for EPS have been adjusted retrospectively for the bonus issue of shares.

The Group's basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue of the Company as follows:

	First quarter ended 31 March	
	2016	2015
	('000)	('000)
Weighted average number of ordinary shares in issue, used in the calculation of basic earnings per share	1,794,524	1,110,243
Weighted average number of ordinary shares in issue, used in the calculation of diluted earnings per share	1,826,546	1,255,414

* Comparative figures for EPS have been adjusted retrospectively for the bonus issue of shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share has been adjusted for the dilutive effect of conversion of share options, bonus issue and convertible bonds.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.

	Group		Company	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Net asset value per ordinary share based on issued share capital as at the end of the period reported on (HK$) *	HK$5.44	HK$5.32	HK$4.62	HK$4.64

* Comparative figures for NAV have been adjusted retrospectively for the bonus issue of shares.

The net asset value per ordinary share of the Group and of the Company as at 31 March 2016 is calculated based on the net assets of the Group and of the Company as at 31 March 2016 respectively, and the number of ordinary shares in issue of 1,794,524,100 shares of the Company as at 31 March 2016.

The net asset value per ordinary share of the Group and of the Company as at 31 December 2015 is based on the net assets of the Group and of the Company as at 31 December 2015 respectively, and the number of ordinary shares in issue of 1,794,524,100 shares of the Company as at 31 December 2015.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

<u>Revenue</u>

	Revenue		
	First quarter ended 31 March		
	2016	2015	Change
	HK$'000	HK$'000	%
CONTRIBUTION			
Toll road operations	628,326	494,153	27
Others/corporate	6,346	121	5,145
Total Group Revenue	634,672	494,274	28

Group revenue in Q1 2016 grew 28% to HK$634.7 million from HK$494.3 million recorded in the same period of last year. The revenue grew 35% excluding currency translation. The revenue growth was largely attributable to the consolidation of revenue contribution from three Guangxi Expressways acquired in September 2015 and October 2015 respectively, and revenue growth of Yongtaiwen Expressway and Beilun Port Expressway as a result of traffic flow increase, and partially offset by lower revenue contribution from Jiurui Expressway.

Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway and three Guangxi Expressways contributed 62.8%,14.4%, 3.2% and 18.5% of the total Group revenue respectively in Q1 2016.

Toll revenue generated from Yongtaiwen Expressway increased by 9.0% to RMB321.8 million in Q1 2016 from RMB295.3 million recorded in Q1 2015 as a result of traffic flow registered rose 9.2% to 3.05 million vehicles in Q1 2016 from 2.80 million vehicles in Q1 2015. The increase was mainly come from increase of heavy vehicles traffic flow which driven by the stable economic growth in Wenzhou.

Toll revenue from Beilun Port Expressway increased 10.5% to RMB77.5 million compared to RMB70.1 million recorded in Q1 2015 as traffic flow was recovered from completion of major upgrading work started in September 2014 and the stable regional economic growth.

Toll revenue from Jiurui Expressway decreased 8.0% to RMB17.2 million in Q1 2016 compared to RMB18.7 million recorded in Q1 2015, which was mainly due to the decrease in revenue from heavy vehicles as a result of slower economic growth in Jiangxi, and the decrease in revenue from heavy vehicles exceeded passenger cars revenue increase.

The three Guangxi Expressways contributed RMB101.7 million toll revenue in total for Q1 2016. Guixing Expressway, Guiyang Expressway and Yangping Expressway recorded RMB45.9 million, RMB38.0 million and RMB17.8 million toll revenue respectively.

Profitability

	Profit after tax		
	First quarter ended 31 March		
	2016	2015	Change
	HK$'000	HK$'000	%
CONTRIBUTION			
Toll road operations	260,897	230,027	13
Others/corporate	(6,592)	(5,325)	(24)
Net profit for the period	254,305	224,702	13
Profit attributable to owners of the Company	164,058	142,259	15

The Group net profit for Q1 2016 increased HK$29.6 million or 13% to HK$254.3 million mainly due to consolidation result of three Guangxi Expressways, and profit increase from Yongtaiwen Expressway and Beilun Port Expressway, offset by lower profit contribution from Jiurui Expressway, lower contribution from Joint Ventures and depreciation of RMB against HK$ compared with Q1 2015.

Profit attributable to equity holders of the Company in Q1 2016 was HK$164.1 million, a increase of 15% compared to that of the previous year. EPS and diluted EPS were 9.14 HK cents and 9.07 HK cents respectively as compared to Q1 2015 adjusted EPS 12.81 HK cents and adjusted diluted EPS 11.97 HK cents after considering bonus issue of shares.

Net profit contribution from Yongtaiwen Expressway in Q1 2016 increased HK$15.9 million or 9.5% to HK$184.2 million mainly due to higher toll revenue achieved, lower maintenance cost and lower finance costs recorded , partially offset by higher amortisation of toll road operating right. The increase was 14.6% excluding currency translation.

Net profit contribution from Beilun Port Expressway in Q1 2016 increased HK$10.7 million or 54.9% to HK$30.2 million mainly due to higher toll revenue recorded, lower accrual of repair and maintenance costs and lower administrative expenses incurred, partially offset by higher amortisation of toll road operating right. The increase was 67.1% excluding currency translation effects.

Net profit contribution from Jiurui Expressway dropped 44.6% to HK$4.1 million in Q1 2016 compared to Q1 2015, or dropped 40.4% excluding currency translation effects.

Net profit contribution from three Guangxi Expressways recorded HK$17.8 million in Q1 2016.

Share of results of Gui Liu joint ventures in Q1 2016 decreased by HK$9.7 million or 22.2% to HK$34.0 million compared to Q1 2015, mainly attributable to lower operational profit from Gui Liu Joint ventures and depreciation of RMB against HK$. Toll revenue from Gui Liu Expressway decreased 9.4% to RMB145.5 million in Q1 2016, which was mainly due to diversion of traffic flow caused by upgrading work carried out at a larger parts of the road.

Share of results of Gui Huang joint ventures in Q1 2016 increased by HK$2.8 million or 14.2% to HK$22.6 million compared to Q1 2015, mainly attributable to lower amortisation cost recorded by Gui Huang Highway offset by lower toll revenue recorded in Q1 2016 and depreciation of RMB against HK$. The decrease in toll revenue was mainly due to slowdown of regional economic growth in Guizhou Province and the decrease in traffic flow of heavy vehicles using the Gui Huang Highway.

Other businesses posted a loss of HK$6.6 million in Q1 2016 compared to a loss of HK$5.3 million in Q1 2015. The higher loss was mainly due to higher exchange loss derived from depreciation of RMB, higher legal cost in relation to drawdown of USD350 million club loan facility.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There has been no significant variance in the operating performance of the Group as compared to previous statement.

10. A commentary at the date of this announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group's toll road business will be continuously influenced by the economic growth of China, and may be affected by fluctuations in the RMB exchange rate and by interest rates, but the Group is expected to remain profitable .

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. *If no dividend has been declared/recommended, a statement to that effect*

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained by the Group.

14. Confirmation by the Board

We, Luo Hui Lai and Jiang Yan Fei, being two directors of China Merchants Holdings (Pacific) Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the Q1 2016 financial results to be false or misleading, in all material respects.

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Lim Lay Hoon
Lynn Wan Tiew Leng
Company Secretaries
28/04/2016

1. STATEMENTS OF PROSPECTS

1.1 1Q2016 Results.

(i) The following statement was made in the 1Q2016 Results released by the Company on 28 April 2016:

"*The Group's toll road business will be continuously influenced by the economic growth of China, and may be affected by fluctuations in the RMB exchange rate and by interest rates, but the Group is expected to remain profitable.*"

(ii) The following statement was made in the press release issued by the Company on 28 April 2016 together with the 1Q2016 Results:

"*Executive Chairman and CEO Mr Luo Hui Lai said, "The Group delivered a commendable set of results in 1Q2016 despite the lower rate of growth of the Chinese economy. This reflects the strength and resilience of the Group's toll road business. Going forward, I am confident that our toll road business will continue to be profitable despite the challenging business environment.""*

1.2 The Statements of Prospects were not made in connection with the Offer or the Convertible Bonds Offer. Accordingly, the Statements of Prospects should not be regarded as a forecast of the Group for FY2016.

2. ASSUMPTIONS

2.1 Each of the Statements of Prospects, for which the Directors are solely responsible, was arrived at on the bases consistent with the accounting policies normally adopted by the Group.

2.2 The Statements of Prospects have been made based on the following assumptions and/or information available as at 28 April 2016, being the date on which the Statements of Prospects were made:

(i) There will be no material changes in the existing political, regulatory, or legal conditions affecting the activities of the Group, the industry and the countries in which the Group operates.

(ii) There will be no material impact of changes in government policies and regulations affecting the toll road sector and related industries.

(iii) There will be no material impact from changes in the tax legislation, government levy or duty in the jurisdictions where the Group conducts its business.

(iv) There will be no material changes in the business model of the products or services to be sold by the Group.

(v) There will be no material changes to the Group's structure or the existing principal activities of the Group or in their principal sources of revenue.

(vi) There will be no material changes in the relationships the Group has with major contractors and financial institutions which may affect the Group's financial performance.

(vii) There will be no material impact from changes of traffic flow and toll rate based on estimation where the Group conducts its business.

(viii) It is assumed that there will be no material impairment charge against the carrying value of the Group's toll road operating rights and other major assets.

(ix) There will be no legal litigation or claims that will have a material impact on the Group's results.

(x) There will be no material changes in the accounting policies of the Group.

(xi) There will be no material change in the key management personnel who may impact the Group's business, operations and future viability.

(xii) There will be no material changes to the existing employment benefits and incentive scheme of the Group.

(xiii) There will be no exceptional circumstances that require material provisions to be made by the Group in respect of any contingent liability or unexpected termination of contracts.

(xiv) There will be no material changes to the liquidity position of the Group.

Shareholders and Bondholders should note that the underlying bases and assumptions on which the Statements of Prospects were based were arrived at based on information available to the Directors as at 28 April 2016, being the date of the release of the 1Q2016 Results. As such Statements of Prospects were made prior to the Offer Announcement Date, such bases, assumptions and information did not include the Offeror's intentions with respect to the Group. Accordingly, there may or may not be changes to such underlying bases and assumptions subsequent to the close of the Offer and the Convertible Bonds Offer.

MAZARS

Date: 13 June 2016

China Merchants Holdings (Pacific) Limited
The Board of Directors
6 Temasek Boulevard
#33-04/05 Suntec Tower Four
Singapore 038986

Dear Sirs,

LETTER FROM AUDITORS ON STATEMENT OF PROSPECTS

We have provided this letter solely to the Directors of China Merchants Holdings (Pacific) Limited (the "Company") for inclusion in the Circular to be dated 13 June 2016 ("the Circular") in respect of the voluntary conditional cash offer for all 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 Easton Overseas Limited (the "Offeror"); and in respect of the conditional offer for all 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 Convertible Bonds already owned, controlled or agreed to be acquired by the Offeror, made by DBS Bank Ltd, for and on behalf of the Offeror.

The Company had, on 28 April 2016, announced the first quarterly financial results for the period from 1 January 2016 to 31 March 2016 ("1Q2016") of the Company and its subsidiaries ("the Group"), which contained the following statement:

"The Group's toll road business will be continuously influenced by the economic growth of China, and may be affected by fluctuations in the RMB exchange rate and by interest rates, but the Group is expected to remain profitable."

On the same day, the Company issued a press release, which contained the following statement made by the Company's Executive Chairman and CEO Mr Luo Hui Lai:

"The Group delivered a commendable set of results in 1Q2016 despite the lower rate of growth of the Chinese economy. This reflects the strength and resilience of the Group's toll road business. Going forward, I am confident that our toll road business will continue to be profitable despite the challenging business environment."

The Directors of the Company are solely responsible for the aforementioned statements ("Statement of Prospects"), including the bases of the assumptions set out in the Appendix 6 to the Circular.

We have been requested by the Company to report on the Statement of Prospects in accordance with Rule 25 of The Singapore Code on Take-overs and Mergers issued by the Monetary Authority of Singapore (the "Take-over Code"). We conducted our examination in accordance with the Singapore Standard on Assurance Engagement ("SSAE") 3400 – *The Examination of Prospective Financial Information* insofar as the Statement of Prospects is properly prepared in accordance with the bases of the assumptions determined by the Directors, as set out in the Appendix 6 to the Circular, and is consistent with accounting policies normally adopted by the Group. Our responsibility under Rule 25.3 of the Take-over Code is to examine and report, insofar as the accounting policies of the Group and calculations are concerned, that the Statement of Prospects has been properly prepared based on the assumptions made by the Directors.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Statement of Prospects. Further, in our opinion, the Statement of Prospects, insofar as the accounting policies of the Group and calculations are concerned, is properly prepared on the bases of the assumptions set out in Appendix 6 to the Circular, and in all material respects, is consistent with the accounting policies normally adopted by the Group.

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Mazars LLP
玛泽有限责任合伙会计师事务所
Chartered Accountants of Singapore

M MAZARS

The Statement of Prospects has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Events frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results may still be different from those projections which form the bases of the Statement of Prospects since other anticipated events frequently do not occur as expected and the variation may be material. Actual results may therefore differ materially from those projected for the purposes of the Statement of Prospects. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Statement of Prospects.

Our work in connection with the Statement of Prospects has been undertaken solely for the purpose of reporting to the Directors under the Take-over Code for the purpose of meeting regulatory requirements for the Circular, and is not intended to be used or relied on for any other purposes.

Yours faithfully,

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore

LETTER FROM CIMB IN RELATION TO THE STATEMENTS OF PROSPECTS

13 June 2016

The Board of Directors
China Merchants Holdings (Pacific) Limited
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 038986

Dear Sirs

VOLUNTARY CONDITIONAL CASH OFFER FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED, OTHER THAN THOSE SHARES OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY EASTON OVERSEAS LIMITED

This letter has been prepared for inclusion in the circular issued by China Merchants Holdings (Pacific) Limited (the "**Company**") to its shareholders dated 13 June 2016 (the "**Circular**") in relation to the voluntary conditional cash offer by DBS Bank Ltd. for and on behalf of Easton Overseas Limited (the "**Offeror**") for all the issued and paid-up ordinary shares in the capital of the Company, other than those shares owned, controlled or agreed to be acquired by the Offeror.

The Circular contains the Statements of Prospects by the Company which are reproduced in Appendix 6 to the Circular.

We have reviewed and held discussions with the Company's directors ("**Directors**") and management with regards to the Statements of Prospects prepared by the Company. We have also considered the letter by the Company's auditors dated 13 June 2016 and addressed to the Directors (a copy of which is reproduced in Appendix 7 to the Circular) relating to their examination of the Statements of Prospects and the accounting policies, bases and assumptions upon which the Statements of Prospects were prepared.

Based on the above, we are of the opinion that the Statements of Prospects (for which the Directors are solely responsible) have been made by the Directors after due and careful inquiry.

For the purpose of rendering our opinion in this letter, we have relied upon and assumed the accuracy and completeness of all financial and other information provided to or discussed with us. Save as provided in this letter, we do not express any other opinion on the Statements of Prospects.

This letter is provided to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any person (other than the Directors) in respect of, arising out of, or in connection with this letter.

Yours faithfully
For and on behalf of
CIMB BANK BERHAD, SINGAPORE BRANCH

JASON CHIAN SIET HENG
MANAGING DIRECTOR
INVESTMENT BANKING, SINGAPORE

TAN CHER TING
DIRECTOR
INVESTMENT BANKING, SINGAPORE

All capitalised terms used in the following extracts shall have the same meanings given to them in the Constitution, a copy of which is 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 until the Closing Date.

The rights of Shareholders in respect of capital, dividends and voting as set out in the Constitution are as follows:

(a) The rights of Shareholders in respect of capital

"***ISSUE OF SHARES***

6. (A) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.

(B) The Company may issue shares for which no consideration is payable to the Company.

(C) If by the conditions of allotment of any shares the whole or any part if the amount of the issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.

6A. Save to the extent permitted by the Act none of the funds of the Company or any subsidiary thereof shall be directly or indirectly employed in the purchase or subscription of or in loans upon the security of the Company's shares.

7. Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 11, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of article 11(A) with such adaptations as are necessary shall apply; and

(b) any other issue of shares, the aggregate of which would exceed the limits referred to in article 11(B), shall be subject to the approval of the Company in General Meeting.

8. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

VARIATION OF RIGHTS

9. Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this article shall apply to the variation or abrogation of the special rights attached to only some of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

10. The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

11. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Stock Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this article 11(A).

(B) Notwithstanding article 11(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

(a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided always that:

(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;

(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and this Constitution; and

(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

(C) Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Statutes and of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

12. (A) The Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its shares;

(b) cancel any shares which, at the date of the passing of the Ordinary Resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;

(c) sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes and this Constitution), Provided always that in such sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and

(d) subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.

(B) The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.

13. (A) The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

(B) Subject to and in accordance with the Act, the Company in General Meeting may authorise the Directors to purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

(C) The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

SHARES

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.

15. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise as the Company may from time to time by Ordinary Resolution or, if required by the Statutes, by Special Resolution determine (or, in the absence of any such determination, but subject to the Statutes, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed.

16. Subject to the provisions of this Constitution and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

17. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

17A. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.

18. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 Market Days of the closing date (or such other period as may be approved by the Stock Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

20. (A) The Company shall not be bound to register more than three persons as the registered holders of a share except in the case of executors or administrators (or trustees) of the estate of a deceased member.

(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

STOCK

49. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

50. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same articles as and subject to which the shares from which the stock arose might prior to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

51. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

138. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to article 11(B):

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or *(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account or otherwise available for distribution (provided that such sum shall not be required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends) by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by such members respectively, or in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid or partly in one way and partly in the other.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under article 138(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

139. In addition and without prejudice to the powers provided for by article 138, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:

(a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or

(b) be held by or for the benefit of non-Executive Directors as part of their remuneration under article 82 and/or article 83(A) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing."

(b) The rights of Shareholders in respect of dividends

*"**FORFEITURE AND LIEN***

30. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non payment.

31. The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

TRANSMISSION OF SHARES

47. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.

48. Save as otherwise provided by or in accordance with this Constitution, a person becoming entitled to a share pursuant to article 46(A) or (B) or article 47 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the holder in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.

RESERVES

123. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions (if any) of the Statutes.

DIVIDENDS

124. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

125. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

126. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid,

(but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

For the purposes of this article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

127. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

128. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

129. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

(C) The Directors may retain from any dividend or other moneys payable to any member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith.

130. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

131. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable shall be forfeited and shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.

132. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

133. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

(a) the basis of any such allotment shall be determined by the Directors;

(b) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this article 133;

(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, Provided always that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect whereof the share election has been duly exercised (the "elected shares") and, in lieu and in satisfaction thereof, shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose and notwithstanding the provisions of article 138, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company's reserve accounts or any amount standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.

(B) The shares of the relevant class allotted pursuant to the provisions of article 133(A) shall rank pari passu in all respects with the shares of that class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

(C) The Directors may, on any occasion when they resolve as provided in article 133(A), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares, the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of article 133 shall be read and construed subject to such determination.

(D) The Directors may, on any occasion when they resolve as provided in article 133(A), further determine that no allotment of shares or rights of election for shares under article 133(A) shall be made available or made to members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

(E) Notwithstanding the foregoing provisions of this article, if at any time after the Directors' resolution to apply the provisions of article 133(A) in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their discretion and as they deem fit in the interest of the Company and without assigning any reason therefor, cancel the proposed application of article 133(A).

(F) The Directors may do all acts and things considered necessary or expedient to give effect to the provisions of article 133(A), with full power to make such provisions as they think fit in the case of shares of the relevant class becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).

134. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

135. Notwithstanding the provisions of article 134 and the provisions of article 137, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

136. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

137. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

137A. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

138. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to article 11(B):

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account or otherwise available for distribution (provided that such sum shall not be required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends) by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by such members respectively, or in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid or partly in one way and partly in the other.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under article 138(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

139. In addition and without prejudice to the powers provided for by article 138, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:

(a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or

(b) be held by or for the benefit of non-Executive Directors as part of their remuneration under article 82 and/or article 83(A) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing."

(c) The rights of Shareholders in respect of voting

"***NOTICE OF GENERAL MEETINGS***

54. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company; Provided always that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the members having a right to vote at that meeting,

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. So long as the shares in the Company are listed on any Stock Exchange, at least 14 days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.

55. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

56. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

(a) declaring dividends;

(b) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) appointing or re-appointing the Auditor;

(e) fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; and

(f) fixing the remuneration of the Directors proposed to be paid in respect of their office as such under article 82 and/or article 83(A).

57. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

58. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within 15 minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

59. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy. Provided always that (i) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (ii) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.

60. If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, if a quorum is not present within 15 minutes from the time appointed for holding the General Meeting, any one or more members present in person or by proxy shall be a quorum and may transact the business for which the General Meeting was called.

61. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for 30 days or more or sine die, notice of the adjourned meeting shall be given as in the case of the original meeting.

62. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

63. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

64. (A) If required by the listing rules of the Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by the Stock Exchange).

(B) Subject to article 64(A), at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting (being a person entitled to vote thereat); or

(b) not less than two members present in person or by proxy and entitled to vote at the meeting; or

(c) a member or members present in person or by proxy and representing not less than five per cent. of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member or members present in person or by proxy and holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent. of the total sum paid up on all the shares conferring that right.

Provided always that no poll shall be demanded on the election of a chairman of the meeting or on a question of adjournment. A demand for a poll made pursuant to this article 64(B) may be withdrawn only with the approval of the chairman of the meeting, and any such demand shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. Unless a poll is demanded (and the demand is not withdrawn), a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution.

65. Where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The chairman of the meeting may (and, if required by the listing rules of the Stock Exchange or if so directed by the meeting, shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

66. A poll on any question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately.

67. In the case of an equality of votes, whether on a poll or on a show of hands, the chairman of the meeting at which the poll or show of hands takes place shall be entitled to a casting vote.

67A. If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting or at any adjournment thereof and not in any case unless it shall be in the opinion of the chairman of the meeting be of sufficient magnitude.

VOTES OF MEMBERS

68. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to article 13(C), each member entitled to vote may vote in person or by proxy. Every member who is present in person or by proxy shall:

(a) on a poll, have one vote for every share which he holds or represents; and

(b) on a show of hands, have one vote, Provided always that:

(i) in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and

(ii) in the case of a member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

69. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share. Several executors or administrators (or trustees) of a deceased member in whose name any share stands shall for the purpose of this article be deemed joint holders thereof.

70. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

71. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

72. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

73. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

74. (A) Save as otherwise provided in the Act:

(a) a member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and

(b) a member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(B) In any case where a member is a Depositor, the Company shall be entitled and bound:

(a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(C) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

(D) A proxy need not be a member of the Company.

75. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be:

(i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:

(i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of articles 75(A)(a)(ii) and 75(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(B) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to article 76(A), failing which the instrument may be treated as invalid.

(C) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in articles 75(A)(a)(ii) and 75(A)(b)(ii) for application to such members or class of members as they may determine. Where the Directors do not so approve and designate in relation to a member (whether of a class or otherwise), article 75(A)(a)(i) and/or (as the case may be) article 75(A)(b)(i) shall apply.

76. (A) An instrument appointing a proxy:

(a) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office); or

(b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting,

and in either case, not less than 72 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided always that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered in accordance with this article 76 for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

(B) The Directors may, in their absolute discretion, and in relation to such members or class of members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in article 76(A)(b). Where the Directors do not so specify in relation to a member (whether of a class or otherwise), article 76(A)(a) shall apply.

77. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

78. A vote cast by proxy shall not be invalidated by the death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided always that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

CORPORATIONS ACTING BY REPRESENTATIVES

79. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of this Constitution (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat."

GCA

VALUATION REPORT

100% INTEREST IN THE TOLL OPERATING RIGHTS OF EIGHT TOLL ROADS

FIN1605106

VALUATION DATE: 9 MAY 2016

Prepared for
China Merchants Holdings (Pacific) Limited

Prepared by
Greater China Appraisal Limited

GREATER CHINA APPRAISAL LIMITED

GCA

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GREATER CHINA APPRAISAL LIMITED

Greater China Appraisal Limited
Room 2703 - 08, 27/F, Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

GCA

Our Ref.: GC137/142718/MKPT

FIN1605106

6 June 2016

Board of Directors
The Board of Directors
China Merchants Holdings (Pacific) Limited
6 Temasek Boulevard #33-04/05
Suntec Tower Three
Singapore 038986

Dear Sirs/Madams,

Valuation of 100% Interest in the Toll Operating Rights of Eight Toll Roads

We refer to our instructions from China Merchants Holdings (Pacific) Limited (the "Company") to provide our opinion on the fair value of 100% interest in the toll operating rights of eight toll roads (the "Toll Operating Rights") as at 9 May 2016 (the "Valuation Date"). Our valuation is for the voluntary conditional cash offer (the "Offer") made by Easton Overseas Limited (the "Offeror") to acquire all the shares in the Company other than those shares owned, controlled or agreed to be acquired by the Offeror. The Company's respective interest in the eight toll roads through the subsidiaries and joint ventures are as follows:

1. 51% equity interest in Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd.[1] ("YTW");
2. 100% equity interest in Ningbo Beilun Port Expressway Co., Ltd.[2] ("BLP");
3. 100% equity interest in Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd.[3] ("JR");
4. 100% equity interest in Guangxi Guixing Expressway Investment and Construction Co., Ltd.[4] ("GX") ;
5. 100% equity interest in Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd.[5] ("GY");
6. 100% equity interest in Guangxi Huatong Expressway Co., Ltd.[6] ("HT");
7. 40% equity interest in Guiliu Expressway Cooperation Company[7] ("GL"); and
8. 60% equity interest in Guihuang Highway Cooperation Company[8] ("GH").

(The above subsidiaries and joint ventures are collectively referred to as the "Target Companies")

[1] 浙江温州甬台温高速公路有限公司
[2] 北伦港高速公路有限公司
[3] 诚坤国际(江西)九瑞高速公路发展有限公司
[4] 广西桂兴高速公路投资建设有限公司
[5] 广西桂梧高速公路桂阳段投资建设有限公司
[6] 广西华通高速公路有限責任公司
[7] For identification only; Original Chinese name 桂柳高速公路合作公司
[8] For identification only; Original Chinese name 貴黄公路合作公司

It is our understanding that our analysis will be used by the management of the Company, its attorney and its accountant for the Offer made by the Offeror only, and forms part of the circular of the Company (the "Circular") dated 13 June 2016. Our analysis was conducted for the above purpose only and this report should be used for no other purposes, including but not limited to financial reporting and impairment assessment purpose, without our express written consent. The reported analyses, opinions and conclusions are limited only by the reported assumptions, limiting conditions and general service conditions described in this report, and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Toll Operating Rights and have no personal interest or bias with respect to the Company and the Target Companies. The standard of value is fair value; whilst the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for the transaction reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their determination of the fair value of the Toll Operating Rights of the Target Companies as at the Valuation Date.

III. BASIS OF VALUATION

We have performed the valuation on the basis of fair value which is defined as "*the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties*".

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in which it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation;
4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Company, as well as reviews of the Target Companies' records and financial projections, including but not limited to:

1. Audited financial statements of YTW, BLP, GL and GH for the years ended 31 December 2013, 31 December 2014 and 31 December 2015;
2. Audited financial statements of the JR for the years ended 31 December 2014 and 31 December 2015;
3. Audited financial statements of the GX, GY and HT, for the year ended 31 December 2015;
4. Traffic and Revenue Report including forecasts of traffic flow and revenue of the Target Companies prepared by THI Asia Consultants Limited (the "Independent Technical Expert") dated 6 June 2016;
5. Operation and Maintenance Cost Estimation Study prepared by the Independent Technical Expert dated 6 June 2016;
6. Human resources cost records of the Target Companies provided by the management of Company; and
7. Documents from the authorities about the entitlement of preferential corporate income tax rates by GX, GY and HT;
8. The Summary of Tax Regulatory Documents Being Fully Repealed or Partially Repealed[9] as announced by the State Administration of Taxation of China on 29 May 2016; and
9. The Notice of the Commencement of Toll Road Special Clean-up Work[10] as announced by Ministry of Transport of China on 10 June 2011.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

[9] For identification only; Original Chinese name "关于公布全文失效废止和部分条款废止的税收规范性文件目录的公告"

[10] For identification only; Original Chinese name "关于开展收费公路专项清理工作的通知"

VI. SITE INSPECTION

Representative from Greater China Appraisal Limited (Mr. Bobby Zhu) performed site inspections for six expressways which were located in Zhejiang and Guangxi province from 25 May 2016 to 28 May 2016. The visit involved the following:

- Visit of YTW, BLP, GX, GY, HT and GL;
- Travel along the expressway of YTW, BLP, GX, GY, HT and GL; and
- Q&A session with the management of YTW, BLP, GX, GY, HT and GL to obtain information about the background and prospect.

At the time of inspection, the above expressways and toll collection stations were in operation.

VII. COMPANY OVERVIEW

7.1 China Merchants Holdings (Pacific) Limited (the "Company")

The Company was incorporated in Singapore in 1981. Its shares are listed on the Singapore Exchange Securities Trading Limited (Stock code: CMH.SP). The Company, through its subsidiaries, principally engaged in operation of toll roads in China, mainly in Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province. These roads form the main component of the national and provincial road networks.

7.2 Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. ("YTW")

YTW was established in China in 2003. As at the Valuation Date, the Company held 51% of the equity in YTW. Its principal business includes investment, development, operation and management of expressway projects. YTW currently owns Yongtaiwen Expressway in Zhejiang with two sections and a total length of 138.2 Km. The whole Yongtaiwen Expressway commenced its operation in January 2002.

7.3 Ningbo Beilun Port Expressway Co., Ltd. ("BLP")

BLP was incorporated in China in July 2002. It is a wholly owned subsidiary of the Company. Its principal business includes construction and operation of expressway projects. BLP currently owns the Beilun Port Expressway in Zhejiang province with two sections and a total length of 51.43 Km. The whole Beilun Port Expressway commenced its operation in 2000.

7.4 Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd. ("JR")

JR was incorporated in China in March 2007. It is a wholly owned subsidiary of the Company. Its principal business includes construction and operation of expressway projects. JR currently owns the Jiurui Expressway in Jiangxi province with a total length of 48.14 Km. The Jiurui Expressway commenced its operation in January 2011.

7.5 Guangxi Guixing Expressway Investment and Construction Co., Ltd. ("GX")

GX was incorporated in China in April 2004. It is a wholly owned subsidiary of the Company. Its principal business includes investment, development, operation and management of expressway projects. GX currently owns the Guixing Expressway in Guangxi province with total length of 53.4 Km. The Guixing Expressway commenced its operation in April 2013.

7.6 Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd. ("GY")

GY was incorporated in China in July 2003. It is a wholly owned subsidiary of the Company. Its principal business includes investment, development, operation and management of expressway projects. GY currently owns the Guiyang Expressway in Guangxi province with total length of 67 Km. The Guiyang Expressway commenced its operation in August 2008.

7.7 Guangxi Huatong Expressway Co., Ltd. ("HT")

HT was incorporated in China in January 2004. It is a wholly owned subsidiary of the Company. Its principal business includes investment, construction and operation of expressway projects. HT currently owns Yangping Expressway in Guangxi province with total length of 39.5 Km. The Yangping Expressway commenced its operation in November 2008.

7.8 Guiliu Expressway Cooperation Company ("GL")

GL is comprised of twenty joint ventures with principal business including investment, construction and operation of expressway projects. The Company, through GL, operates the Guiliu Expressway. Guiliu Expressway is located in Guangxi province with total length of 139 Km. The Guiliu Expressway commenced its operation in 1997.

7.9 Guihuang Highway Cooperation Company ("GH")

GH is comprised of four joint ventures with principal business including investment, construction and operation of expressway projects. The Company, through GH, operates the Guihuang Highway. Guihuang highway is located in Guizhou province with 2 sections, namely Airport Road and the Guihuang Road, and a total length of 39 Km. The 2 sections were commenced their operation in 1991 and 1997 respectively.

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VIII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Target Companies is derived, and how the valuation of the Target Companies may be impacted.

1. Nominal GDP Growth in China

In the period of 12th Five-year plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. It can be observed that the real gross domestic products ("GDP") has been stabilised at around 7% from 2012 onwards, whereas the inflation has remained moderate around 2%. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr Li Ke Qiang has expressed his administration's policies, named as "Likonomics", on the future direction of Chinese economy. In the nutshell, it represents short-term pain in return for a long term gain in the economy.

Table 8 - 1 Real GDP Annual Growth Rate and Inflation of China

	2012A	2013A	2014A	2015A	2016F
Real GDP Annual Growth Rate (%)	7.70	7.70	7.30	6.90	6.49
Inflation (%)	2.65	2.62	1.99	1.44	1.80

Source: World Economic Outlook Database (April 2016), International Monetary Fund

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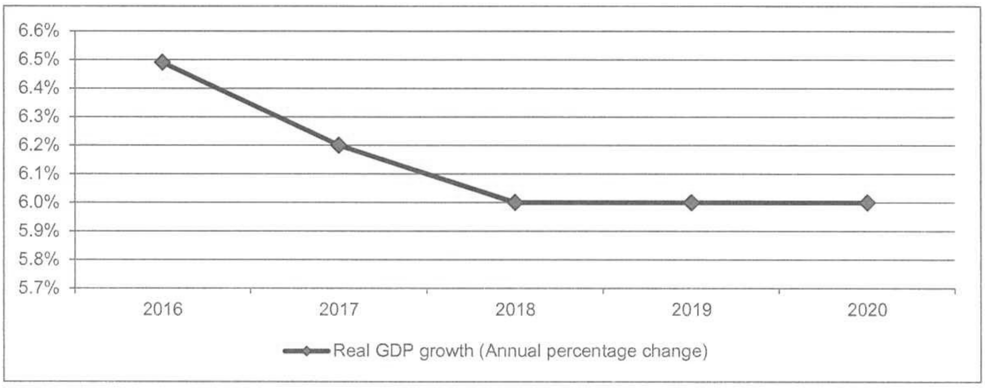
According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 7%. In accordance with the forecast published by International Monetary Fund ("IMF"), the overall real GDP growth is at 6.90% in 2015, while the projection of the real GDP growth in the next five year would follow a steady decline from 6.49% in 2016 to 6.0% in 2020, which is in line with Mr Li's administration direction.

The following diagram shows the real GDP annual growth rate forecasts from 2016 to 2020.

Figure 8 - 1 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database (April 2016), International Monetary Fund

According to "World Economic Outlook Database (April 2016)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2015, it possesses the greatest growth prospect among top six economies in the world; the Chinese economy was forecasted to grow from USD10,982 billion in 2015 to USD17,762 billion in 2021 with a compound annual growth rate ("CAGR") of 8.3%. It is worth noting that the gap between the United States and China was projected to be narrowing over time.

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Table 8 - 2 Worldwide GDP

	Country	GDP - Billions of the United States Dollar ("USD")						
		2015A	2016F	2017F	2018F	2019F	2020F	2021F
1	United States	17,947	18,558	19,285	20,145	21,016	21,874	22,766
2	China	10,982	11,383	12,263	13,338	14,605	16,144	17,762
3	Japan	4,123	4,412	4,514	4,562	4,676	4,800	4,895
4	Germany	3,358	3,468	3,592	3,697	3,822	3,959	4,066
5	United Kingdom	2,849	2,761	2885	2,999	3,123	3,256	3,874
6	France	2,421	2,465	2,538	2,609	2,700	2,804	2,895

Source: World Economic Outlook Database (April 2016), International Monetary Fund

In the near-term outlook, there are several challenges affecting the China's economy. The rapid growth in credit financing has derived a so-called 'shadow banking system', raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Furthermore, China suffered from the first corporate bond default in March 2014. It sent a warning signal to the bond investors regarding the creditability of the borrowers and the stability of the market.

In addition, China's economic growth in the past was highly depends on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments which mainly financed by borrowing is challenging. In 2013, when the China's government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi's campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

While the GDP growth of China's market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk collapse, the "temporary hard-landing" will not deter the long-term growth prospect of China.

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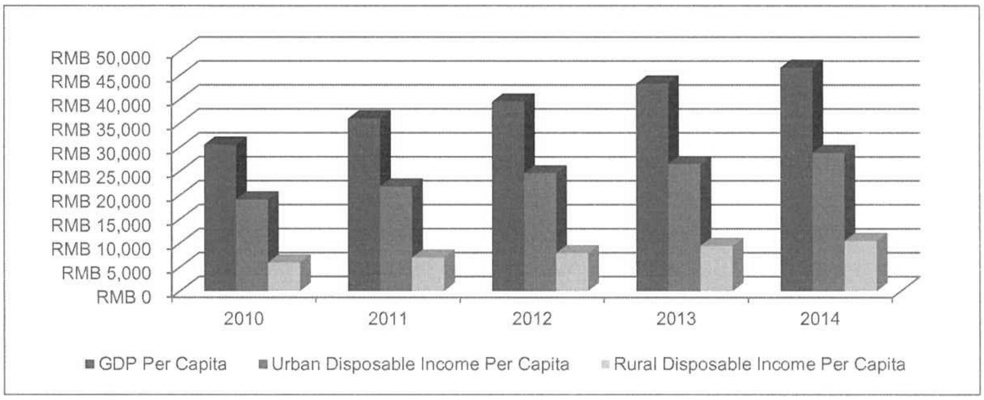
2. GDP per Capita in China

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB19,109 in 2010 to RMB28,844 in the 2014, representing a CAGR of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB5,919 in 2010 to RMB10,489 in 2014, representing a CAGR approximate to 15.4%. In comparison to the inflationary figures, the annual inflation rate is between 1.99% and 5.40%. Hence, there were improvement of the standard of living of Chinese people overall in the period from 2010 to 2014.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2010 to 2014.

Figure 8 - 2 GDP per Capita of China



Source: National Bureau of Statistics of China

3. Population Growth

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.31 billion in 2006 to 1.37 billion in 2015, representing a CAGR of approximately 0.44%.

The proportion of urban population in China increased from 44.34% in 2006 to 55.88% in 2015, representing a CAGR of approximately 2.37%.

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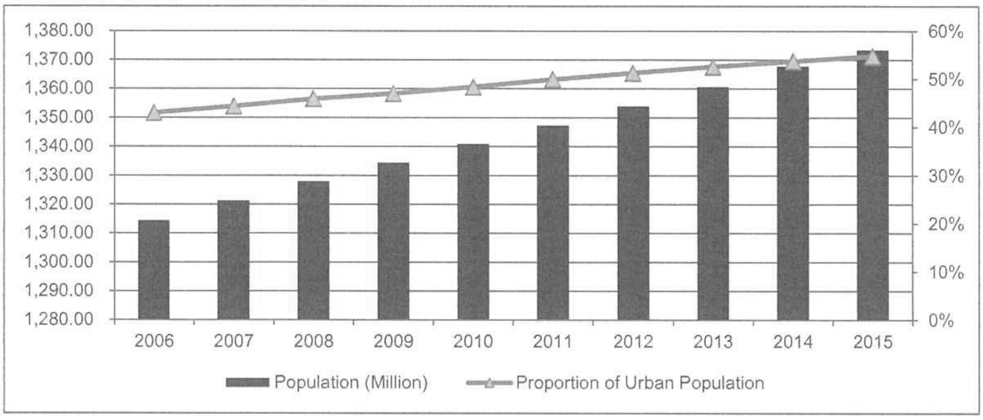
The following diagram shows the population growth and corresponding urban population growth in China from 2006 to 2015.

Figure 8 - 3 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the status will not change from 2015 to 2020.

Table 8 - 3 Population Forecast of China

	2015A	2016F	2017F	2018F	2019F	2020F
Population(Million)	1,374.620	1,381.45	1,388.32	1,395.22	1,402.16	1,409.13
Unemployment rate (%)	4.05	4.05	4.05	4.05	4.05	4.05

Source: World Economic Outlook Database (April 2016), International Monetary Fund

Although the one-child policy has curbed the growth of birth rate in China, the rising trend of China's population has not been slowed down in few decades. At the same time, the side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow in the next few decades. However, the Government now has realized this trend and introduced Two-child policy which comes into effect throughout the country since October 2015. Hopefully this policy will offset the aging population structure in next few decades.

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Table 8 - 4 Age Distribution of China

Age distribution	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0-14(Million)	260	257	252	247	223	222	223	223	226	227
15-64(Million)	951	958	967	974	999	1,003	1,004	1,006	1,005	1003
>=65(Million)	104	106	110	113	119	123	127	132	138	144

Source: National Bureau of Statistics of China

4. Inflation

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 1.50% in May 2015 on year-over-year basis, as compared with that of 1.99% in June 2014. China is expected to continue a prudent monetary policy, keep money supply, delever the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of China's inflation is far left behind. The continual appreciation on Chinese currency as well as the dominating role of export in China economy was the primary reasons. On one hand, with the Federal Reserve raising interest in December 2015, a new round of currency depreciation is expected to incur in emerging countries; on the other hand, in domestic, the A-share experienced four fusing at the beginning of 2016 with severe volatility, thus investors have strong hedging desires. Due to these two factors, expectation for RMB depreciation becomes much stronger.

Table 8 - 5 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2015A	2016F	2017F	2018F	2019F	2020F	2021F
World	2.78	2.82	3.04	3.14	3.16	3.17	3.16
Emerging and developing economies	4.71	4.45	4.20	4.05	3.99	4.00	3.95
China	1.44	1.80	2.00	2.20	2.60	3.00	3.00

Source: World Economic Outlook Database (April 2016), International Monetary Fund

5. Government Policy

During the end of the period of 12th Five-year plan, China will maintain stable economic policies and a prudent monetary policy, the GDP growth is rebalancing at an achievable rate of 7.1% amid lower export demand in 2015, said by Premier Li. A report issued by The World Bank in June 2014 has reconfirmed that the expectation is achievable.

The Chinese government is currently drafting the blueprint of the 13th Five-year plan which will begin in 2016. More or less, the plan will inherit the spirit of the previous in developing science and technology, deepening environmental protection policies, but to solidify the whole economy. Under the slump of crude oil price and raising deflation risk of the European Union countries, it is estimated that the Chinese government will adopt a stable and conservative economic policies in 2016, the government will continue the ongoing plans and focus on resolving the imminent problem within the nation, such as modifying the financial system and intensifying anti-corruption measures.

In the Central Economic Work Conference held in Beijing at the end of 2015, the top leaders of the Communist Party of China emphasised that the main tasks in 2016 were as follows:

- Reducing housing inventories;
- Resolving industrial overcapacity;
- Lowering corporate costs;
- Prevention of financial risks; and
- Broadening effective supply.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown, but it is just the part of the structural reform of the economy as stated in Likonomics. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulation policies.

IX. INDUSTRY OVERVIEW

The Road and Highway Construction industry in China has been growing rapidly in the past decade, driven by China's urbanization, increases in automobile ownership, freight, road transportation turnover volumes, as well as increasing government investment. In 2015, industry revenue was expected to amount to RMB 2,213 billion, up 9.2% from 2014. Over the past five years, revenue has been growing at an average annualized rate of 11.2%. In 2015, there were 46 industry enterprises operating 430 establishments which remained relatively stable as the industry is heavily controlled and regulated by the Chinese government.

According to the 12th Five-Year Plan of Transportation in China issued in 2011 by the Ministry of Transport, the investment of fixed assets on road and highway construction was expected to total RMB 5,113 billion between 2011 and 2015. Along with growing demand for highway transportation, this has supported the development of the industry over the period. According to the latest release of the Ministry, the investment in expressway construction totalled RMB 795 billion in 2015, with an annual growth of 1.7% than the previous year.

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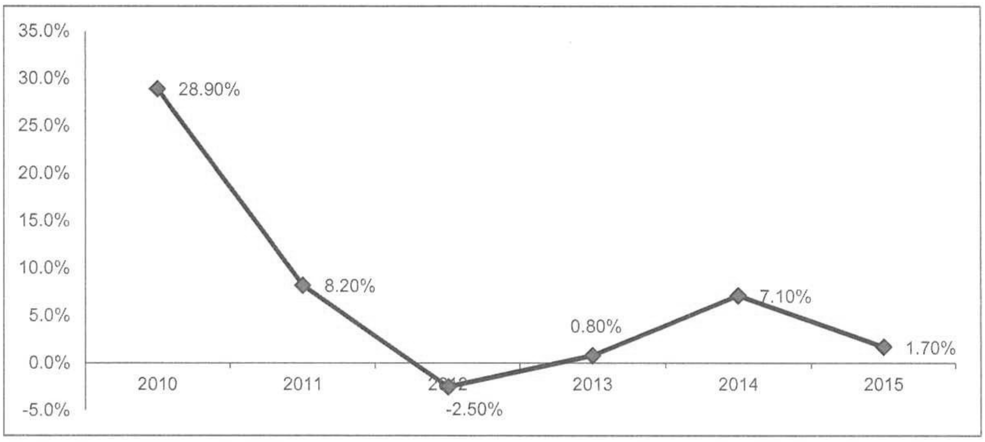
Figure 9 - 1 Annual Growth Rate of Investment in Highway in China from 2010 to 2015

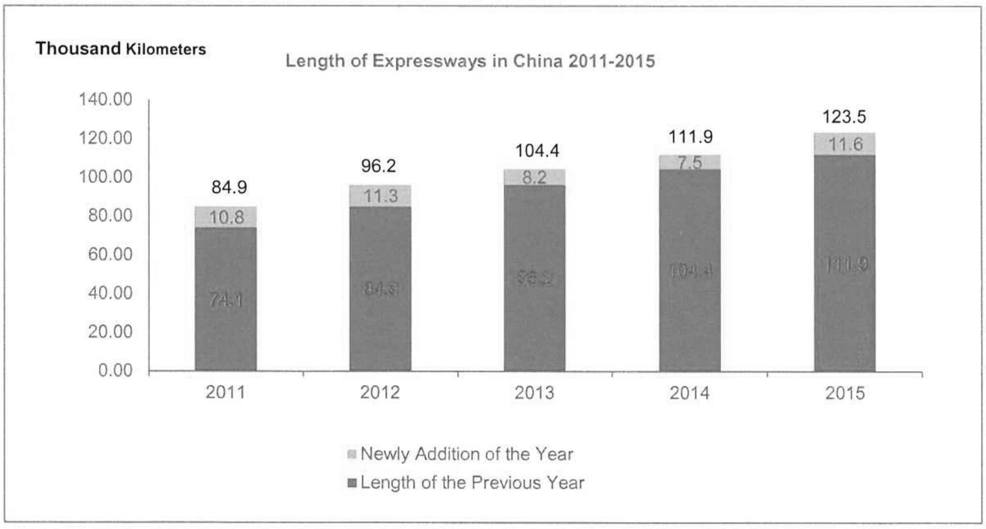


Source: Ministry of Transport of China

Length of Expressway

According to Ministry of Transport, the total length of expressway in China increased from 74.1 thousand Km in 2010 to 123.5 thousand Km in 2015, with an annual CAGR of 10.76%. About 60% of the investment laid out in the 12th Five-Year Plan would go toward highway construction. The plan calls for about 492,000 Km of road and 34,000 Km of highway to be constructed during the period. Much emphasis has been put on highway construction given the nation's growing transportation needs.

Figure 9 - 2 Length of Expressway in China from 2011 to 2015



Source: Ministry of Transport of China

Industry Development

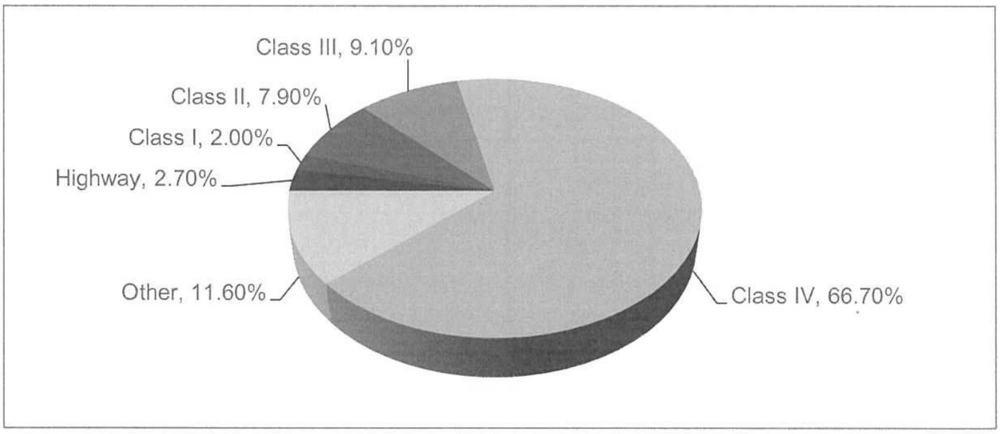
Based on the forecast by IBISWorld, in the five years through 2020, revenue for the Road and Highway Construction industry in China was forecasted to increase at an annualized rate of 6.2% to RMB2,987 billion. Despite rising demand, industry revenue growth would be slower than in the past five years as growth in China's economy has been slowing down.

More attention would also be paid to technology improvements and construction quality. The government has planned to intensify renovations of provincial highways, and to increase the number of upgrading and rebuilding projects over the next five years. In addition, the implementation of strategies including One Belt and One Road, Yangtze River Economic Zone and the Coordinate Development of Beijing-Tianjin-Hebei was expected to stimulate the development of the Road & Highway Construction in China in the future.

China's technical classifications for roads and highways are based on function and traffic volume. Classified roads are divided into five categories: highways, first-class roads, second-class roads, third-class roads and fourth-class roads.

According to Ministry of Transport, highways or expressways accounted for about 2.7% of total road mileage in 2015. The proportion of highways has been increasing in the past five years, as they connect and control exit and entry into important economic, political and cultural centres in China. About 25,000 automobiles pass through China's highways in a single day. With increasing demand for high speed and better transportation conditions, highway mileage was expected to grow strongly.

Figure 9 - 3 Road Classification and Proportion in China in 2015



Source: Ministry of Transport of China

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Expressway in Guangxi Zhuang Autonomous Region

In 2010, Guangxi regional government formulated a strategic development plan for 2010-2020. The plan described the target development of six highways in East-West direction, seven highways in North-South directions and eight extensions of highways with total planned length of 8,000 Km. The aim was to connect all the regions of Guangxi and strengthen the linkage between Guangxi and the Pearl River Delta region.

There was 14 billion investment in highway construction during the period of 2011 to 2015, increasing the length of highways to 4,289 Km which represented a significant increase when compared to the end of 2010. A well-established highway network was expected to provide solid support to the development of economy of the region.

Table 9 - 1 Length of Expressways in Guangxi, Guizhou, Zhejiang and Jiangxi (in Km) and CAGR

	2010	2011	2012	2013	2014	CAGR
Guangxi	2574	2754	2883	3305	3722	7.65%
Guizhou	1507	2022	2630	3284	4007	21.6%
Zhejiang	3383	3500	3618	3787	3884	2.80%
Jiangxi	3051	3603	4229	4303	4484	8.01%

Source: Bloomberg Intelligence

Expressway in Guizhou Province

Based on a file released by Department of Guizhou Provincial Transportation in January 2016, the government targeted to complete the construction of 200 Km of expressways in 2016. According to latest release, as at the end of 2015, the total length of highways in Guizhou was 5,128 Km, which ranked the eighth compared with other provinces and ranked the first in terms of newly construction. Also, as at March 2016, the investment in highway construction in Guizhou was RMB17 billion, which accounted for 20% of the total investment plan in 2016.

Expressway in Jiangxi Province

According to Department of Jiangxi Provincial Transportation, the investment towards highway construction amounted RMB2.32 billion in the first two month of 2016. Also, the length of the expressways was 5,088 Km in total as at the end of 2015, with a 13.47% increase when compared to 2014.

Based on the Jiangxi Highway Network Scheme (2013-2030)[11] released in 2014 by Department, the government targeted to complete building a "4-Portrait, 6-Transverse, 8-Radiate" highway framework across the province with seventeen interconnect lines for complementing, totalled 6,453 Km, which covered all the counties and districts and it would just take 30 minutes to reach highway from any location in Jiangxi after the framework completed.

[11] For Identification only, Chinese name 《江西省高速公路网规划（2013-2030 年）》

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Expressway in Zhejiang Province

The highway construction in Zhejiang Province has been under a relatively low development speed due to its coastal graphic location and quick development of high-speed railways across the Yangtze River Delta Region in recent years. According to Department of Zhejiang Provincial Transportation, as at the end of 2014, the total length of highway is 3,884 Km, with a CAGR of only 2.80%, and the investment in road construction in the first two month of 2016 was RMB 9.2 billion, which also remained at a low level when compared to other provinces.

X. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

10.1 Asset Approach

This is a general way of determining a fair 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 reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

In this valuation, we have considered but rejected the asset approach for the valuation because the value of the Toll Operating Rights is determined by the Target Companies' ability to generate a stream of benefits in future, rather than the cost of replacement.

On the other hand, we have applied the asset approach for the computation of the fair value of the assembled workforce because the fair value of assembled workforce is attributed to cost savings for acquiring an assembled and trained workforce. As such, the Target Companies does not have to spend time, effort and money to recruit, select and train employees from the scratch.

10.2 Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

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In this valuation, we have considered but rejected the market approach for the valuation of the Toll Operating Rights because available public transaction information frequently involves specific buyers who pay a premium or discount under their unique circumstances. In addition, each of the Toll Operating Rights is subject to unique circumstances such as tenor and traffic. This made it difficult to find the comparable transactions for the Toll Operating Rights.

10.3 Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have considered and applied the income approach to the valuation of the Toll Operating Rights because:

- The fair value of the Toll Operating Rights was determined by the Target Companies' ability to generate a stream of benefits in future; and
- Economic benefit streams of the Target Companies could be identified based on projected cash flows which were estimated based on reasonable assumptions.

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XI. GENERAL VALUATION ASSUMPTIONS

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation are:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target Companies are operated;
2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. There would be no major change in the current taxation law in China and countries of origin of our comparable companies;
4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees were needed to procure such during the application;
6. Future revenue growth would conform to those forecasted by the Independent Technical Expert;
7. Future cost of revenue, management and operation cost and major overhaul would conform to those forecasted by Independent Technical Expert; and
8. The Target Companies would retain competent management, key personnel, and technical staff to support the ongoing operation of their business.

XII. INCOME APPROACH - MULTI-PERIOD EXCESS EARNINGS METHOD ("MPEEM")

We develop the fair value by using MPEEM, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and major overhaul.

The essential elements are: (1) the expected after-tax EBIT stream of each of the Eight Toll Roads to be discounted, (2) Return on Contributory Assets ("ROCA"), and (3) the discount rate for each of the Toll Operating Rights.

The after-tax EBIT stream was determined based on the financial projection for revenue, cost of revenue, management and operation cost and future major overhaul, which would conform to those forecasted by the Independent Technical Expert. We have reviewed the calculation and discussed with the Independent Technical Expert about the validity of the projection. Our valuation is developed based on this financial projection. The details of the major assumptions of the financial projection will be discussed in the forthcoming section.

ROCA are the total cash flows that are attributable to other tangible and intangible assets as the subject intangible asset , which is the Toll Operating Rights in this case, may need to utilise other assets to produce the particular cash flows. It represents the charge that is required to compensate for an investment in a contributory asset by allocating a portion of the Toll Operating Rights' expected cash flow to each of the contributory assets that support that cash flow, with consideration given to the rates of return required by the market. It is calculated based on fair value of the contributory assets multiplied by a required rate of return on, and in some cases of, that contributory asset. Contributory assets in this case include the following:

- Fixed assets;
- Net working capital; and
- Assembled workforce

The fixed asset as mentioned above refers to the book value of the Property, Plant and Equipment ("PPE") of the Target Companies as at the Valuation Date, net of accumulated depreciation. For the determination of net working capital and assembled workforce, they will be discussed in the forthcoming sections.

The required rate of return ("RRR") on fixed assets was determined with reference to the PPE financing plan as estimated by the management of the Company, which is in the way of 30% debt and 70% equity. For the cost of debt, it is based on the Singapore prime lending rate as at the Valuation Date (i.e. 5.35%) after income tax of the Target Companies. For the cost of equity, please refer to the forthcoming section. For the RRR on net working capital, it is estimated by the management of the Company with reference to the return from short term funds as generally required by market, which is 5%. Finally, for the RRR on assembled workforce, it would be equivalent to the discount rate of the Toll Operating Rights, which will be discussed in the forthcoming section.

The stream of after-tax EBIT stream after deducting ROCA, would then be discounted to a present value at the appropriate discount rate of the Toll Operating Rights, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \cdots + \frac{E_n}{(1+k)^n}$$

E_1, E_2, E_3, etc.=	Expected after-tax EBIT in the 1st, 2nd, 3rd periods, and etc.
E_n =	Expected after-tax EBIT in the last period
k =	Discount Rate for each of the Toll Operating Rights

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XIII. MAJOR VALUATION ASSUMPTIONS

This section describes the details of the major assumptions of the financial projection and of the major parameters used in the valuation of the Toll Operating Rights.

13.1 Operating Period

The Toll Operating Rights were formally granted by the relevant governmental authorities in China to the Target Companies with permitted operating period. The details of the operating period of each of the Toll Operating Rights are summarized in the following table:

Table 13 - 1 Summary of Operating Period of the Eight Toll Roads

	Target Companies	Expressway	Operating Period up to
1.	YTW	Yongtaiwen Expressway	30 September 2030
2.	BLP	Beilun Port Expressway	31 December 2024
3.	JR	Jiurui Expressway	31 December 2040
4.	GX	Guixing Expressway	1 April 2042
5.	GY	Guiyang Expressway	31 July 2037
6.	HT	Yangping Expressway	30 June 2037
7.	GL	Guiliu Expressway	15 April 2025
8.	GH	Guihuang Highway	30 April 2027

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13.2 Basis of Revenue Forecast

Revenue mainly represents toll income. Toll income forecast is based on the Traffic & Revenue Report that prepared by the Independent Technical Expert. The main factors considered in the forecast are traffic flow and toll rates. Two different scenarios, the conservative and optimistic, are analysed and two sets of forecasts are projected accordingly. We computed the average revenue under these two scenarios and applied it in this valuation after consideration of historical revenue and the overall industry. It is expected that the revenue will increase steadily every year which is in line with the projected yearly inflation and traffic growth. Also, toll is anticipated to be increased by 15% for every 7 years.

The following table shows the revenue forecast of each expressway:

Table 13 - 2 Revenue Forecast

Year	YTW RMB'000	BLP RMB'000	JR RMB'000	GX RMB'000	GY RMB'000	HT RMB'000	GL RMB'000	GH RMB'000
2016	843,815	201,436	47,023	126,732	117,174	55,968	354,719	126,733
2017	1,330,674	319,964	80,358	198,213	176,874	83,980	572,886	206,935
2018	1,166,149	327,715	139,508	239,822	212,049	105,710	596,817	217,891
2019	1,109,877	335,655	210,819	290,283	265,992	133,127	621,866	229,444
2020	1,129,065	343,788	245,357	335,481	306,970	160,381	613,822	241,627
2021	1,144,684	351,285	256,384	349,245	310,162	174,212	603,454	155,581
2022	1,334,599	412,788	308,241	418,206	319,722	207,473	720,638	104,605
2023	1,352,596	421,790	322,405	435,562	329,629	214,902	748,498	109,072
2024	1,370,836	430,990	331,482	453,740	339,900	222,646	777,613	113,733
2025	1,389,323	-	346,967	472,784	350,549	230,720	235,797	118,595
2026	1,405,249	-	362,526	490,742	360,490	238,298	-	122,654
2027	1,421,358	-	378,943	509,474	370,764	246,169	-	41,705
2028	1,437,653	-	396,269	529,018	381,386	254,346	-	-
2029	1,672,254	-	476,740	631,821	392,369	302,270	-	-
2030	1,265,094	-	498,944	656,293	403,728	312,426	-	-
2031	-	-	521,218	679,281	414,303	321,927	-	-
2032	-	-	544,681	703,175	425,206	331,768	-	-
2033	-	-	569,399	728,014	436,451	341,961	-	-
2034	-	-	595,446	753,839	448,050	352,521	-	-
2035	-	-	622,895	780,690	460,015	363,463	-	-
2036	-	-	748,805	928,297	471,743	431,078	-	-
2037	-	-	783,003	959,959	281,017	216,508	-	-
2038	-	-	819,021	992,827	-	-	-	-
2039	-	-	823,226	1,026,948	-	-	-	-
2040	-	-	827,455	1,062,373	-	-	-	-
2041	-	-	-	1,097,317	-	-	-	-
2042	-	-	-	285,713	-	-	-	-

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13.3 Basis of Cost of Revenue Forecast

Cost of revenue represents the maintenance expenses which are based on the Operation and Maintenance Cost Estimation Study prepared by the Independent Technical Expert. Maintenance expenses will be incurred for regular repairs, which cover regular inspection, daily road service maintenance, bridge maintenance, etc. Such repairs will be necessary to maintain the operation of the expressway. Further to the regular repairs, periodical major overhaul is required to reinstate the original conditions of the expressway after long term of wear and tear. In the year of overhaul, no regular maintenance will be required to perform. The cost of revenue will be generally in an increasing trend due to inflation, unless in the year that major overhaul is incurred.

The following table shows the cost of revenue forecast of each expressway:

Table 13 - 3 Cost of Revenue Forecast

Year	YTW RMB'000	BLP RMB'000	JR RMB'000	GX RMB'000	GY RMB'000	HT RMB'000	GL RMB'000	GH RMB'000
2016	57,534	64,900	1,805	7,099	6,770	4,095	-	6,448
2017	91,904	52,260	2,884	12,331	7,600	8,100	-	10,430
2018	94,661	53,900	2,971	12,664	7,830	8,340	4,640	10,806
2019	97,501	55,517	3,060	13,044	-	-	7,390	11,196
2020	100,426	57,183	3,151	-	-	8,848	7,612	11,532
2021	103,438	58,898	3,246	-	8,556	9,113	7,840	9,729
2022	106,542	60,665	-	14,253	8,813	9,387	8,075	30,800
2023	109,738	62,485	-	14,681	9,077	9,668	8,318	8,693
2024	113,030	64,359	3,547	15,121	9,349	9,958	8,567	8,953
2025	116,421	-	3,653	15,575	9,630	10,257	2,538	9,222
2026	119,914	-	3,763	16,042	-	-	-	9,499
2027	123,511	-	3,876	-	-	10,882	-	3,217
2028	127,216	-	3,992	-	10,523	11,208	-	-
2029	131,033	-	-	17,530	10,839	11,545	-	-
2030	100,946	-	-	18,056	11,164	11,891	-	-
2031	-	-	4,362	18,597	11,499	12,248	-	-
2032	-	-	4,493	19,155	11,844	12,615	-	-
2033	-	-	4,628	19,730	-	-	-	-
2034	-	-	4,767	-	-	13,383	-	-
2035	-	-	4,910	-	12,942	13,785	-	-
2036	-	-	-	21,559	13,330	14,198	-	-
2037	-	-	-	22,206	7,975	7,252	-	-
2038	-	-	5,365	22,872	-	-	-	-
2039	-	-	5,526	23,558	-	-	-	-
2040	-	-	5,692	24,265	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-

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13.4 Management and Operation Cost Forecast

Management and operation cost of the expressway mainly represents staff cost and management cost which are based on the Operation and Maintenance Cost Estimation Study prepared by the Independent Technical Expert. The Independent Technical Expert estimated the operating expenses will be increased per year which associated with the inflation.

The following table shows the management and operation cost forecast of each expressway:

Table 13 - 4 Management and Operation Cost Forecast

Year	YTW RMB'000	BLP RMB'000	JR RMB'000	GX RMB'000	GY RMB'000	HT RMB'000	GL RMB'000	GH RMB'000
2016	113,751	5,465	11,445	16,946	14,044	6,841	14,150	15,250
2017	181,702	8,729	18,283	23,510	22,450	11,030	22,822	24,360
2018	187,153	8,991	18,831	24,290	22,960	11,360	23,735	25,091
2019	192,768	9,261	19,396	25,020	23,500	11,700	24,447	25,843
2020	198,551	9,539	19,978	25,771	24,205	12,051	25,180	26,619
2021	204,508	9,825	20,577	26,544	24,931	12,413	25,935	18,428
2022	210,643	10,120	21,194	27,340	25,679	12,785	26,714	12,367
2023	216,962	10,423	21,830	28,160	26,449	13,168	27,515	12,738
2024	223,471	10,736	22,485	29,005	27,243	13,564	28,340	13,120
2025	230,175	-	23,160	29,875	28,060	13,970	8,397	13,514
2026	237,080	-	23,855	30,771	28,902	14,390	-	13,919
2027	244,193	-	24,570	31,695	29,769	14,821	-	4,714
2028	251,518	-	25,307	32,645	30,662	15,266	-	-
2029	259,064	-	26,066	33,625	31,582	15,724	-	-
2030	199,579	-	26,848	34,634	32,529	16,196	-	-
2031	-	-	27,654	35,673	33,505	16,681	-	-
2032	-	-	28,484	36,743	34,511	17,182	-	-
2033	-	-	29,338	37,845	35,546	17,697	-	-
2034	-	-	30,218	38,980	36,612	18,228	-	-
2035	-	-	31,125	40,150	37,711	18,775	-	-
2036	-	-	32,058	41,354	38,842	19,338	-	-
2037	-	-	33,020	42,595	23,237	9,877	-	-
2038	-	-	34,011	43,873	-	-	-	-
2039	-	-	35,031	45,189	-	-	-	-
2040	-	-	36,082	46,545	-	-	-	-
2041	-	-	-	47,941	-	-	-	-
2042	-	-	-	31,840	-	-	-	-

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13.5 Basis of Major Overhaul and Amortization

As mentioned above, periodical major overhaul is normally required to reinstate the original conditions of the expressway after long term of wear and tear. However, as per the Operation and Maintenance Cost Estimation Study, the management of YTW and BLP had assessed the quality and condition of the two expressways respectively and considered no major overhaul is necessary to perform in the remaining operating period. Alternatively, a higher budget on regular maintenance is prepared to maintain the quality of the expressway.

Expenses on major overhaul are capitalized and then amortized over the operating period. Expenses and timing of major overhauls are projected based on the Operation and Maintenance Cost Estimation Study prepared by the Independent Technical Expert. Amortization of the Toll Operating Rights is based on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular year to the projected total traffic volume over the remaining operating period for the each of the expressways rights.

The following table shows the major overhaul and amortization forecast of each expressway:

Table 13 - 5 Major Overhaul Forecast

	YTW	BLP	JR	GX	GY	HT	GL	GH
Year	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2016	-	-	-	-	-	-	588,600	-
2017	-	-	-	-	-	-	325,400	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	73,310	79,046	-	-
2020	-	-	-	74,761	73,310	-	-	-
2021	-	-	-	74,761	-	-	-	-
2022	-	-	52,954	-	-	-	-	30,800
2023	-	-	52,954	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	90,161	97,217	-	-
2027	-	-	-	91,947	90,161	-	-	-
2028	-	-	-	91,947	-	-	-	-
2029	-	-	65,127	-	-	-	-	-
2030	-	-	65,127	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	110,887	119,564	-	-
2034	-	-	-	113,083	110,887	-	-	-
2035	-	-	-	113,083	-	-	-	-
2036	-	-	80,098	-	-	-	-	-
2037	-	-	80,098	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	139,078	-	-	-	-
2042	-	-	-	89,679	-	-	-	-

Table 13 - 6 Amortization of Major Overhaul

Year	YTW RMB'000	BLP RMB'000	JR RMB'000	GX RMB'000	GY RMB'000	HT RMB'000	GL RMB'000	GH RMB'000
2016	-	-	-	-	-	-	38,213	-
2017	-	-	-	-	-	-	97,981	-
2018	-	-	-	-	-	-	101,840	-
2019	-	-	-	-	8,800	8,706	105,869	-
2020	-	-	-	9,600	19,931	10,436	104,244	-
2021	-	-	-	19,542	20,096	11,279	102,256	-
2022	-	-	6,847	20,233	20,682	11,618	105,960	-
2023	-	-	13,947	20,953	21,287	11,969	109,823	6,693
2024	-	-	14,288	21,703	21,913	12,332	113,852	6,947
2025	-	-	14,808	22,486	22,561	12,708	33,961	7,211
2026	-	-	15,327	23,220	23,235	12,781	-	7,431
2027	-	-	15,871	23,701	24,102	13,136	-	2,517
2028	-	-	16,442	24,240	24,752	13,502	-	-
2029	-	-	16,715	25,045	25,423	13,881	-	-
2030	-	-	16,986	25,881	26,114	14,272	-	-
2031	-	-	17,589	26,663	26,757	14,635	-	-
2032	-	-	18,222	27,474	27,418	15,010	-	-
2033	-	-	18,886	28,313	37,014	25,443	-	-
2034	-	-	19,582	29,123	53,701	26,101	-	-
2035	-	-	20,312	29,989	55,046	26,778	-	-
2036	-	-	25,509	30,872	56,361	27,472	-	-
2037	-	-	35,143	31,786	33,521	13,770	-	-
2038	-	-	36,466	32,732	-	-	-	-
2039	-	-	36,628	33,710	-	-	-	-
2040	-	-	36,790	34,722	-	-	-	-
2041	-	-	-	128,037	-	-	-	-
2042	-	-	-	118,317	-	-	-	-

13.6 Basis of VAT and Income Tax

The toll revenue was mainly generated from China and assumed that all revenue is subjected to the corporate income tax in China. The statutory corporate tax rate and VAT rate for expressway operators in China are 25% and 3% respectively in 2016. Accordingly, we have generally adopted the same rate during the projection period.

Further to the determination of the general tax projection basis, special tax policy is noted for GX, GY and HT. According to the Summary of Tax Regulatory Documents Being Fully Repealed or Partially Repealed from the State Administration of Taxation of China about tax incentives, GX, GY and HT will enjoy a preferential corporate income tax rate of 15% from 2016 to 2020. From 2021 onward, it is assumed that no further tax incentives will be granted by the State Administration of Taxation, so GX, GY and HT will be subject to the statutory corporate tax rate in China.

13.7 Working Capital Forecast

Working capital mainly includes account receivables, other current assets account payables and other current liabilities. In order to determine the RRR of the contributory asset, working capital is projected based on the historical financial information of each of the Target Companies. The projection of account receivables, other current assets and other current liabilities are be projected based on the respective historical proportion to revenue or cost of revenue for each of the Target Companies. It is assumed that all working capital will be settled at the end of the operation.

XIV. VALUATION OF ASSEMBLED WORKFORCE

Assembled workforce is contributing to the success of the operation. In order to determine the value of the Toll Operating Rights by the MPEEM, required return from the contributory assets have to be calculated. As such, the value of the assembled workforce has to be determined such that an appropriate return could be assigned to the asset.

The Target Companies possess the assembled workforce that is properly trained and well qualified to operate the Eight Toll Roads. By possessing the fully trained and well qualified personnel, the Target Companies will avoid the expenditure that would have been required to hire equivalent personnel. The fair value of the assembled workforce is represented by the after-tax assemblage costs avoided.

14.1 Valuation Methodology

Considerable expenses for recruiting, interviewing, and training would be required to replace these properly trained employees with individuals of comparable skills and expertise. Therefore the Target Companies avoided the expenses required to hire and train the equivalent personnel by acquiring these fully trained personnel.

14.2 Major Assumptions

We have applied the following assumptions in the evaluation of the value of the assembled workforce.

1. The management of the Target Companies have estimated and provided us with the training and supervisory costs, the recruitment costs, the bail-out costs and the interview costs of the assembled workforce to determine the overall fair value of assembled workforce of the Target Companies in the valuation.
2. The number of days of training, which is required for each employee to properly carry out their job responsibilities, ranged from 1 to 15 days, which depends on the policy of each of the Target Companies.
3. The management of the Target Companies assumed that the recruitment cost ranged from 10% to 50% of monthly salary for each position, which depends on the grading of position and policy of each of the Target Companies.
4. The management of the Target Companies assumed that the bail-out cost for the staff is ranged from half-month to two-month salary, which depends on the grading of position.
5. For the interview cost, the number of interview hours for each position is ranged from half an hour to 6 hours, which depends on the grading of position. The management of the Target Companies estimated that the interview rate per hour is ranged from RMB62 to RMB114 per interview hour for this valuation, depending on the wage rate of the interviewer of the Target Companies.

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Table 14 - 1 of Fair Value of Assembled Workforce in the Target Companies

Target Companies	Fair Value of Assembled Workforce (RMB'000)
YTW	4,231
BLP	771
JR	497
GX	650
GY	634
HT	236
GL	759
GH	1,766

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XV. DETERMINATION OF DISCOUNT RATE

After developed the ROCA and the financial projection for the Target Companies, next, we have to estimate a proper discount rate for discounting the future economic benefits.

The discount rates of the Toll Operating Rights are based on the estimated weighted average cost of capital ("WACC") plus the intangible assets risk premium.

For the WACC, we developed the cost of equity ("R_e") and the cost of debt ("R_d") for the valuation of the Toll Operating Rights based on data and factors relevant to the economy, the industry, the Company and the Target Companies as at the Valuation Date. These costs were then weighted in terms of the Company's own capital structure to arrive at the estimated WACC because this case relates to a privatization of the publicly traded shares of the Company.

WACC is determined by the weighted average, at market value, of the cost of all financing sources in the Company's capital structure. We considered the Company's data to develop the WACC.

The traditional formula for calculating the WACC is:

$$\mathbf{WACC = [(\%D) \times (R_d) \times (1 - Tax\ Rate)] + [(\%E) \times (R_e)]}$$

Where	WACC:	Weighted Average Cost of Capital;
	%D:	Weight of Interest Bearing Debt;
	R_d:	Cost of Debt;
	%E:	Weight of Equity; and
	R_e:	Cost of Equity

1. Development of Cost of Equity ("R_e")

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate R_e for this valuation.

MCAPM, as applied to this valuation, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_u}$$

Where	R_e:	Cost of Equity;
	R_f:	Risk Free Rate;
	Beta:	A measure of systematic risk;
	ERP:	Equity Risk Premium;
	RP_s:	Size Premium; and
	RP_u:	Specific Company Adjustment

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a) Risk Free Return (“R_f”)

R_f was found by looking at the yield of the 20-Year Singapore Government Bond . Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted. However, the length of the operating period of the Eight Toll Roads differ from each other's, so we made reference to the average length of operating period which is approximately 20 years. Also, the valuation is for the privatization of the Company's public shares listed in the Singapore Exchange (“SGX”). Hence, we apply the yield of 20-Year Singapore Government Bond, which is 2.57% as at the Valuation Date.

b) Equity Risk Premium (“ERP”)

We adopted the recent 30 years equity risk premium of the market where the subject company is located. The equity risk premium of the United States market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the subject company is located to obtain the equity risk premium. The volatility of the United States equity market and other equity indices are obtained from Bloomberg. In this case, since the valuation is for the privatization of the Company's public shares listed in the SGX, we have applied the ERP of Singapore.

c) Beta

As mentioned previously since the valuation is for the privatization of the Company's public shares, in this valuation we applied the beta of the Company itself. The beta of the Company was unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the Company's capital structure.

Table 15 - 1 Summary of Betas

Median Un-Levered Beta	Median Re-levered Beta
0.37	0.70

d) Size Premium (“RP_s”)

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of this valuation, we applied the size premium return in excess of CAPM of companies in the low cap of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2015 Valuation Yearbook.

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e) **Country Risk Premium (“RP_c”)**

RP_c is the risk premium added to the MCAPM for Singapore to reflect the country-specific risk elements based on the location of principal operation of the Eight Toll Roads, where is China. We made reference to the research on country risk premium published by Prof. Aswath Damodaran of New York University in 2016. According to the research, the country risk premium applied to China and Singapore with respect to the United States are as follows:

Table 15 - 2 Country Risk Premium of China and Singapore

	Country Risk Premium with respect to the United States
China	0.90%
Singapore	0.00%

Source:http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

We then applied the excess of the country risk premium of China over that of Singapore on the MCAPM of Singapore, which is 0.9%.

f) **Specific Company Adjustment (“RP_u”)**

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to this valuation.

Firm specific risk factors may include the following:

1. Abnormal competition
2. Customer concentration
3. Size smaller than the Guideline Public Companies
4. Poor access to capital
5. Thin management
6. Lack of business diversification
7. Potential environment issue
8. Potential litigation
9. Narrow distribution channels
10. Obsolete technology
11. Dim company outlook

For GH and GL, they are made up of a number of joint ventures, which involved a relatively complex business structure. The complex business structure would reduce the flexibility in the decision making of the management of the GH and GL, when compared to other Target Companies. Accordingly, a RP_u of 3% is applied to reflect such risk.

Regarding YTW, under the Notice of the Commencement of Toll Road Special Clean-up Work issued by Ministry of Transport in 2011, the operating period of for-profit expressways located in eastern provinces should not be more than 25 years. Yongtaiwen Expressway commenced operation since Dec 2003, so according to the above notice, the operating period should be until 2027. Though there has not been any action by the authorities to implement such policy, there is uncertainty that the authority will launch this policy in the future, resulting in a shorter operating period. Accordingly, a RP_u of 5% is applied to cater this risk.

For the Target Companies other than GH, GL and YTW, there is no specific risk noted and their operation is stable. Accordingly, no RP_u is applied.

Table 15 - 3 Cost of Equity Conclusion

MCAPM	Target Companies (Other than GH, GL and YTW)	GH and GL	YTW
Risk Free Rate ("R_f")	2.5%	2.5%	2.5%
Beta	0.70	0.70	0.70
Equity Risk Premium ("ERP")	7.0%	7.0%	7.0%
Size Premium ("RP_s")	1.8%	1.8%	1.8%
Country Risk Premium ("RP_c")	0.9%	0.9%	0.9%
Specific Company Adjustment ("RP_u")	0.0%	3.0%	5.0%
Cost of Equity ("R_e") (Rounded)	10.88%	13.08%	15.08%

2. Development of Cost of Debt ("R_d")

In order to estimate the cost of debt for this valuation, we relied on the average of interest rate of the non-current loans of the Company in FY2015, which is 3.5%.

3. Weighted Average Cost of Capital

We have "levered" the subject companies as if it mirrored the average capital structure as the Guideline Public Company on the assumption that over time, the subject company would approach the Guideline Public Company' median capital structure to remain competitive. Subsequent to the calculations of the R_e and the R_d, the following equation is used to develop the WACC:

$$\textbf{WACC} = [(\%D) \times (R_d) \times (1\text{-Tax Rate})] + [(\%E) \times (R_e)]$$

Table 15 - 4 Summary of WACC

	Target Companies (Other than GH, GL and YTW)	GH and GL	YTW
Weight of Interest Bearing Debt (%D)	37.23%	37.23%	37.23%
× Cost of Debt ("R_d")	3.50%	3.50%	3.50%
× (1 – Tax Rate)	75.00%	75.00%	75.00%
Weighted Cost of Debt	0.98%	0.98%	0.98%
+			
Weight of Equity (%E)	62.77%	62.77%	62.77%
× Cost of Equity ("R_e")	10.08%	13.08%	15.08%
Weighted Cost of Equity	6.33%	8.21%	9.47%
WACC	7.31%	9.19%	10.44%

We have applied a risk premium of 0.5% over the above WACCs to come up with the intangible asset specific discount rates for the Toll Operating Rights. Accordingly the discount rates for the Toll Operating Rights are as follows:

Table 15 - 5 Discount Rates for Toll Operating Rights

	Other Target Companies	GH and GL	YTW
WACC	7.31%	9.19%	10.44%
Intangible Asset Risk Premium	0.50%	0.50%	0.50%
Discount Rate for the Toll Operating Rights	7.81%	9.69%	10.94%
Applied Discount Rate for the Toll Operating Rights	**8.00%**	**10.00%**	**11.00%**

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XVI. SUMMARY OF RESULTS

Table 16 - 1 Conclusion of Fair Value of Toll Operating Rights of Target Companies

Target Companies	Fair value of Toll Operating Rights (RMB'000)
YTW	5,762,000
BLP	1,529,000
JR	2,668,000
GX	3,741,000
GY	2,365,000
HT	1,508,000
GL	2,193,000
GH	722,000
Total for the Eight Toll Roads	**20,488,000**

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XVII. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Companies.

The opinions expressed in this report have been based on the information supplied to us by the Company, the Target Companies and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company and the Target Companies. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

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XVIII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it is our opinion that the fair value of the toll operating rights of eight toll roads of the subsidiaries and joint ventures of China Merchants Holdings (Pacific) Limited as at 9 May 2016 are as follows:-

	Fair Value (RMB'000)
The Toll Operating Rights of the Eight Toll Roads of the Subsidiaries and Joint Ventures of China Merchants Holdings (Pacific) Limited, as at 9 May 2016	20,488,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Analysed and Reported by:

Elaine Y.T. Leung, *CPA*
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INVOLVED STAFF BIOGRAPHY

Max Tsang, *CPA, CFA, FRM*
Director

Mr Tsang is presently the Director of Greater China Appraisal Limited. Mr Tsang is experienced in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support purposes. The valuation services provided included business valuation, intangible asset valuation (such as trademarks, distribution networks, patents and customer relationship), biological assets valuation, mining valuation and financial instrument valuation. Mr. Tsang has extensive experience in serving private and listed enterprises in Hong Kong, China, Singapore and the United States. His experience covers a wide range of industries including agriculture, financial services, infrastructure, telecommunications, information technology, retail, real estate, mining and multimedia.

Elaine Y.T. Leung, *CPA*
Manager, Business Valuation and Transaction Advisory

Ms. Leung is experienced in valuation of both business and intangibles assets with industry ranging from post-production service, port operation, mining, metal processing, food & beverage, financial services to information technology. Her valuation jobs have been performed for transaction reference, IRS filing and financial reporting propose. The clients of her jobs cover both public and listed companies located in United Kingdom, China, Hong Kong.

Marvin K.C. Wong, *CPA*
Manager, Business Valuation and Transaction Advisory

Mr. Wong is experienced in performing business valuation of business for private and public companies on industries including but not limited to tea plantation, forest, infrastructure, manufacturing, marketing, pharmacy and trading. He has experience in valuation of intangible Asset including customer relationships, trademarks of an international toy company, concession right, mining right, patents and distribution network of a pharmaceutical company, etc.

Faye C.Y. Chan, *CPA (Aust.)*
Assistant Manager, Business Valuation and Transaction Advisory

Ms. Chan is experienced in performing valuation for financial reporting and merger and acquisition purposes. She is experienced in performing business valuation of business for private and public companies from different industries including foresting, manufacturing, medical and trading and information technology.

Bobby Zhu
Assistant Manager, Business Valuation and Transaction Advisory

Mr. Zhu graduated from Shanghai University of Finance& Economics with major in Financial Management. He has experiences in valuation of business and intangible assets for different industries including manufacturing, clean-tech energy and etc. Prior to join GCA, he worked as Corporate Financial Analyst in Dell and Sony, and Internal Auditor in Natuzzl China.

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GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

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END OF REPORT

APPENIDIX E TRAFFIC AND REVENUE FOREAST

THI Asia
鼎漢亞洲

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6 June 2016

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Traffic and Revenue Forecast Studies for
Eight Toll Roads (Expressways)

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") for the following Expressways :

1) Yongtaiwen Expressway (Wenzhou Section) of Zhejiang Province;
2) Ningbo Port Expressway in Zhejiang Province;
3) Jiurui Expressway in Jiangxi Province;
4) Guixing Expressway in Guangxi Province
5) Guiyang Expressway in Guangxi Province.
6) Yangping Expressway in Guangxi Province.
7) Guiliu Expressway in Guangxi Province; and
8) Guihuang Highway in Guizhou Province.

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 periods for the Expressways are projected in an independent and professional manner.

The results of our analysis are presented in the respective reports of the eight Expressways "Traffic and Revenue 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.

1) Yongtaiwen Expressway (Wenzhou Section)
The Expressway is a four-lane carriageway (Dual-2) comprising two sections as below:

(1) Leqing Huwu Street Section (North Section) with a length of 63.3 Km and four separated interchanges, this section was opened to traffic in December 2002.

(2) Wenzhou Ouhai Nanbaixiang Cangnan Fenshuiguan Section (South Section) with a length of 74.9 Km and nine separated interchanges. The sub-section from

Nanbaixiang to Feiyun was opened to traffic in December 2002 and the other sub-section from Feiyun to Fenshuiguan was opened to traffic in December 2003.

2) Beilun Port Expressway
The Expressway is a four-lane carriageway (Dual-2) comprising two sections as below:

(1) Beilun Port Toll Station to Dazhujia - This section starts from Beilun Toll Station at the south-eastern area of Daqi town in Beilun District. This section runs south-westward via Ningbo East to Dazhujia at where connects with Hangyong Expressway. The length of this section is 27.90 Km.

(2) Ningbo East Toll Station to Jiangshan Toll Station connecting link – this section of Expressway is from Panhuo Interchange, the Expressway runs southward to Jiangshan and ends at the west of Xiwu Town in Fenghua City of Ningbo. This section is part of Yontaiwen Expressway with a total length of 22.06km.

3) Jiurui Expressway
The Expressway with a total length of 48.14 Km is part of the G56 China's National Expressway System connecting Hangzhou of Zhejiang Province and Ruili of Yunnan Province serving the east-west traffic demand. This expressway at present is the key link serving both local and external traffic demand.

4) Guixing Expressway
The Expressway with a total length of 53.4 Km is located at the northern area of Guiling Municipality of Guangxi Province. This expressway is part of the G72 China's National Expressway System connecting Quanzhou Municipality of Fujing Province and Nanning Municipality of Guangxi Province serving the north-south traffic demand. This Expressway is the key link serving both local and external traffic demand.

5) Guiyang Expressway
The Expressway with a total length of 67.0 Km is a four-lane carriageway (Dual-2) located at the east-southern area of Guilin Municipality connecting Guilin urban area with Yangzhou County in the east northern of Guangxi Province. This expressway is part of the G65 China's National Expressway System connecting Baotou Municipality of Inner Mongolia and Maoming Municipality of Guangdong Province serving the north-south traffic demand. .

6) Yangping Expressway
The Expressway with a total length of 39.52 Km is a four-lane carriageway (Dual-2) located at the eastern area of Guilin Municipality connecting Guilin urban area with Yangzhou County in the east northern of Guangxi Province. This expressway is part of the G65 China's National Expressway System connecting Baotou Municipality of Inner Mongolia and Maoming Municipality of Guangdong Province serving the north-south traffic demand.

7) Guiliu Expressway
The Expressway is a four-lane carriageway (Dual-2) located at the southern area of Guiling Municipality connecting Guilin urban area with Liuzhou Municipality in the east-northern of Guangxi Province. This expressway is part of the G72 China's National Expressway System connecting Quanzhou Municipality of Fujing Province and Nanning Municipality of Guangxi Province serving the north-south traffic demand.

8) Guihuang Highway

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This Highway comprises two roads, namely the East Gate Expressway and Guihuang Class 1 Highway. The East Gate with 14 km and the Guihuang Class I Highway with a length of 25 km located in the Guiyang Municipality of Guizhou Province

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;
- 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 traditional 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 Yangtze River Delta area as well as other Provinces 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.

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

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.

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 for each Expressway are given in the tables below;

Yongtaiwen Expressway (Wenzhou Section)

Annual GDP Growth (%) Assumptions (Conservative)

Year	Zhejiang	Wenzhou	Taizhou	Fujian
2016-2020	5.7%	5.5%	6.4%	8.0%
2021-2025	4.6%	4.4%	5.1%	6.4%
2026-2030	3.9%	3.8%	4.3%	5.4%

Ningbo Port Expressway

Annual GDP Growth (%) Assumptions (Conservative)

Year	Zhejiang	Ningbo	External
2016-2020	5.7%	5.4%	6.3%
2021-2025	4.6%	4.9%	5.7%
2026-2030	3.9%	3.7%	4.3%

Jiurui Expressway

Annual GDP Growth (%) Assumptions (Conservative)

Year	Jiangxi	Hubei	Hunan	External
2010-2015	6.9%	7.3%	7.2%	6.9%
2016-2020	5.5%	5.9%	5.8%	5.5%
2021-2025	5.3%	5.6%	5.5%	5.3%
2026-2030	5.0%	5.3%	5.2%	5.0%
2031-2035	4.8%	5.0%	5.0%	4.8%

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Guixing Expressway, Guiyang Expressway, Yangping Expressway and Guiliu Expressway

Annual GDP Growth (%) Assumptions (Conservative)

Year	Guangxi	Guilin	Liuzhou	External
2016-2020	5.4%	5.1%	5.6%	5.4%
2021-2025	4.9%	4.5%	5.1%	4.9%
2026-2030	4.4%	4.1%	4.6%	4.4%
2031-2035	4.0%	3.7%	4.1%	4.0%
2036-2040	3.8%	3.5%	3.9%	3.8%
2041-2045	3.6%	3.3%	3.7%	3.6%

Guihuang Highway

Annual GDP Growth (%) Assumptions (Conservative)

Year	Guiyang	Guizhou	External
2016-2020	5.6%	5.0%	4.7%
2021-2025	4.2%	3.8%	3.5%
2026-2030	3.3%	3.0%	2.8%

The GDP growth assumptions are made on the basis of the historical trend of municipality and Provinces. Taking into consideration of the economic developments in the regions, the growths for the period of 2016-2020 are assumed to be 80% of the growths in 2011-2015 and further discounted by 10% for the next period. The optimistic growths expect higher developments in the regions and are formed by assuming 110% of the conservative scenarios.

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 highway sections of facilities per day.

i) Major new highway links are planned or under construction in the vicinity of the study corridors are included in the highway networks.

j) Future year traffic demand for Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted by area. The resultant growths for Conservative Scenario are given in tables below.

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Yongtaiwen Expressway (Wenzhou Section)Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	1.04%	2.38%	1.15%	2.62%
2021-2025	0.84%	1.91%	0.92%	2.10%
2026-2030	0.71%	1.62%	0.78%	1.78%

Ningbo Port Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	1.2%	3.5%	1.3%	3.8%
2021-2025	1.0%	3.1%	1.1%	3.4%
2026-2030	0.8%	2.3%	0.9%	2.6%

Jiurui Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	1.70%	6.28%	1.93%	7.09%
2021-2025	1.62%	5.96%	1.83%	6.74%
2026-2030	1.54%	5.66%	1.74%	6.40%
2031-2035	1.46%	5.38%	1.66%	6.08%
2036-2040	1.39%	5.11%	1.64%	6.04%

Guixing Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	2.52%	5.82%	2.77%	6.40%
2021-2025	2.27%	5.24%	2.49%	5.76%
2026-2030	2.04%	4.71%	2.24%	5.18%
2031-2035	1.84%	4.24%	2.02%	4.66%
2036-2040	1.74%	4.03%	1.92%	4.43%
2041-2045	1.66%	3.83%	1.82%	4.21%

Guiyang Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	2.52%	5.82%	2.77%	6.40%
2021-2025	2.27%	5.24%	2.49%	5.76%
2026-2030	2.04%	4.71%	2.24%	5.18%
2031-2035	1.84%	4.24%	2.02%	4.66%
2036-2040	1.74%	4.03%	1.92%	4.43%

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Yangping Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	2.52%	5.82%	2.77%	6.40%
2021-2025	2.27%	5.24%	2.49%	5.76%
2026-2030	2.04%	4.71%	2.24%	5.18%
2031-2035	1.84%	4.24%	2.02%	4.66%
2036-2040	1.74%	4.03%	1.92%	4.43%

Guiliu Expressway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	2.52%	5.82%	2.77%	6.40%
2021-2025	2.27%	5.24%	2.49%	5.76%

Guihuang Highway Study Area Passenger and Goods Vehicles Traffic Growth (%)

Year	Conservative		Optimistic	
	Passenger Vehicle	Goods Vehicle	Passenger Vehicle	Goods Vehicle
2016-2020	4.27%	6.08%	4.70%	6.68%
2021-2025	3.20%	4.56%	3.52%	5.01%
2026-2030	2.56%	3.65%	2.82%	4.01%

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

Yongtaiwen Expressway Vehicle Classifications are defined as below:

Vehicle Class	Vehicle Classification
Class 1	Passenger vehicles ≤ 20 seats , Goods vehicles ≤ 2 tons
Class 2	Passenger vehicles 21 -40 seats ; Goods vehicles 2 tons ＜ & ≤ 5 tons
Class 3	Passenger vehicles >40 seats, Goods vehicles 5 tons ＜ & ≤10 tons
Class 4	Goods vehicles 10 tons ＜ & ≤ 15 ton
Class 5	Goods vehicles ＞15 tones
Class 6	20' Container Vehicle
Class 7	40' Container Vehicle
Non-toll	Official Toll Exemption

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Yongtaiwen Expressway (Wenzhou Section) North and South Sections Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Non-toll	Total
2016	76611	3325	5868	2458	8790	209	2386	6083	105731
2017	77840	3378	5963	2498	8931	212	2424	6181	107427
2020	72327	3110	5502	2345	8090	207	2237	5838	99657
2021	73256	3150	5573	2375	8194	210	2266	5913	100936
2025	77088	3315	5864	2499	8622	221	2385	6223	106217
2029	80507	3462	6124	2610	9005	231	2491	6499	110928
2030	81385	3500	6191	2638	9103	233	2518	6569	112138

Yongtaiwen Expressway (Wenzhou Section) North and South Sections Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Non-toll	Total
2016	77457	3362	5933	2485	8887	211	2412	6150	106898
2017	78824	3421	6038	2529	9044	215	2454	6259	108784
2020	73681	3152	5572	2376	8199	210	2270	5906	101366
2021	74721	3196	5650	2410	8315	213	2302	5989	102797
2025	79030	3380	5976	2549	8795	225	2435	6335	108725
2029	82891	3546	6268	2674	9224	236	2554	6644	114038
2030	83886	3588	6343	2706	9335	239	2585	6724	115406

Ningbo Port Expressway Vehicle Classifications are defined as below:

Vehicle Class	Vehicle Classification
Class 1	Passenger vehicles ≤ 20 seats , Goods vehicles ≤ 2 tons
Class 2	Passenger vehicles 21 -40 seats ; Goods vehicles 2 tons ＜ & ≤ 5 tons
Class 3	Passenger vehicles >40 seats, Goods vehicles 5 tons ＜ & ≤10 tons
Class 4	Goods vehicles 10 tons ＜ & ≤ 15 ton
Class 5	Goods vehicles ＞15 tones
Class 6	20’ Container Vehicle
Class 7	40’ Container Vehicle
Non-toll	Official Toll Exemption

Ningbo Port Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Non-toll	Total
2016	6777	1305	1879	1363	3898	536	13749	973	30479
2017	6934	1335	1922	1395	3987	548	14066	995	31182
2020	7424	1430	2058	1493	4270	587	15061	1066	33389
2021	7578	1459	2101	1524	4358	599	15374	1088	34082
2025	8227	1584	2281	1655	4731	650	16690	1181	37000
2026	8355	1609	2316	1681	4805	660	16950	1199	37576
2027	8485	1634	2352	1707	4880	671	17214	1218	38161

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Ningbo Port Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Non-toll	Total
2016	7578	1467	1528	930	3903	539	13694	956	30594
2017	7770	1504	1567	953	4002	553	14041	980	31370
2020	8377	1621	1689	1028	4315	596	15137	1056	33818
2021	8568	1658	1727	1051	4413	610	15482	1081	34590
2025	9377	1815	1891	1150	4830	667	16945	1183	37858
2026	9538	1846	1923	1170	4913	679	17235	1203	38507
2027	9701	1878	1956	1190	4997	690	17530	1223	39166

Jiurui Expressway Vehicle Classifications are defined as below:

Vehicle Class	Passenger Vehicle	Goods Vehicle
Class 1	Passenger vehicles ≤ 7 seats	Goods vehicles ≤ 10 tons
Class 2	Passenger vehicles 8 -19 seats	Goods vehicles 10 tons ＜ &≤ 40 tons
Class 3	Passenger vehicles 20-39 seats	Goods vehicles ＞40 tones
Class 4	Passenger vehicles >40 seats	
Non-toll	Official Toll Exemption	

Jiurui Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	4364	68	60	131	2151	86	6860
2017	4875	76	67	146	2566	96	7826
2021	12679	199	173	381	8534	250	22215
2026	13729	215	188	412	10691	270	25505
2031	14806	232	202	445	14044	291	30020
2036	15908	249	217	478	18205	313	35370
2039	16394	257	224	492	20235	323	37924
2040	16435	257	225	493	20356	323	38089

Jiurui Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	4429	69	61	133	2183	87	6963
2017	5091	80	70	153	2622	100	8115
2021	14819	232	203	445	9896	292	25887
2026	16214	254	222	487	13667	319	31163
2031	17662	277	241	530	18581	348	37639
2036	19171	300	262	576	24949	377	45636
2039	19857	311	271	596	28221	391	49647
2040	19906	312	272	598	28390	392	49870

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Guixing Expressway, Guiyang Expressway, Yangping Expressway and Guiliu Expressway Vehicle Classifications are defined as 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 ＜ & ≤ 5 tons
Class 3	Passenger vehicles 20-39 seats	Goods vehicles 5 tons ＜ & ≤10 tons, 20' Container Vehicle
Class 4	Passenger vehicles >40 seats	Goods vehicles 10 tons ＜ & ≤ 15 tons, 40' Container Vehicle
Class 5		Goods vehicles ＞15 tones
Non-toll	Official Toll Exemption	

Guixing Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	11571	51	216	364	6996	1732	20931
2017	12094	53	226	381	7543	1810	22107
2021	19219	85	358	605	13420	2877	36564
2026	21450	95	400	675	17235	3211	43065
2031	23681	104	442	745	21599	3545	50116
2036	25913	114	483	815	26530	3879	57734
2041	28228	125	526	888	32259	4226	66252
2042	28696	127	535	903	33494	4296	68050
2043	29171	129	544	918	34776	4367	69904

Guixing Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	11749	52	219	370	7106	1759	21255
2017	12356	55	230	389	7731	1850	22611
2021	21200	94	395	667	14981	3174	40511
2026	23919	106	446	753	19713	3582	48518
2031	26666	118	497	839	25255	3993	57368
2036	29441	130	549	927	31650	4408	67105
2041	32344	143	603	1018	39230	4843	78181
2042	32934	145	614	1037	40881	4931	80542
2043	33534	148	625	1055	42602	5021	82986

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Guiyang Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	14963	142	684	707	3267	1521	21285
2017	15684	149	717	741	3533	1594	22418
2021	25930	246	1185	1226	5980	2636	37201
2026	28940	274	1322	1368	7680	2941	42526
2031	31950	303	1460	1510	9624	3247	48095
2036	34961	331	1598	1652	11821	3553	53917
2037	35571	337	1625	1681	12298	3615	55127
2038	36191	343	1654	1711	12793	3678	56370

Guiyang Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	15188	144	694	718	3316	1544	21604
2017	16028	152	732	758	3620	1629	22919
2021	28778	273	1315	1360	7332	2925	41984
2026	32470	308	1484	1535	9648	3300	48744
2031	36200	343	1654	1711	12361	3679	55948
2036	39966	379	1826	1889	15491	4062	63612
2037	40732	386	1861	1925	16177	4140	65222
2038	41514	393	1897	1962	16894	4219	66880

Yangping Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	5723	40	179	433	1393	156	7924
2017	5996	42	187	454	1505	164	8348
2021	11303	79	353	855	3162	309	16062
2026	12615	88	394	955	4061	345	18458
2031	13927	97	435	1054	5089	381	20984
2036	15240	107	476	1153	6251	417	23644
2037	15505	108	485	1173	6503	424	24199
2038	15776	110	493	1194	6765	431	24769

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Yangping Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	5809	41	182	440	1414	159	8043
2017	6126	43	191	464	1543	168	8534
2021	12843	90	401	972	3631	351	18288
2026	14491	101	453	1097	4778	396	21315
2031	16155	113	505	1223	6121	442	24558
2036	17850	125	558	1351	7713	488	28084
2037	17852	125	558	1351	7714	488	28087
2038	17854	125	558	1351	7714	488	28090

Guiliu Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	15331	2478	2322	1050	12315	790	34286
2017	15719	2541	2381	1076	13033	810	35559
2020	16115	2605	2441	1104	14717	830	37812
2021	15674	2534	2374	1073	14751	808	37214
2022	16030	2591	2428	1098	15523	826	38496
2023	16393	2650	2483	1123	16336	845	39829
2024	16764	2710	2539	1148	17191	864	41217
2025	17144	2772	2597	1174	18091	883	42661

Guiliu Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Non-toll	Total
2016	15559	2515	2356	1066	12498	802	34797
2017	15992	2585	2422	1095	13300	824	36219
2020	16351	2643	2476	1120	15122	843	38555
2021	15777	2551	2389	1080	15085	813	37696
2022	16171	2614	2449	1107	15954	833	39128
2023	16574	2679	2510	1135	16873	854	40625
2024	16987	2746	2573	1163	17844	875	42189
2025	17410	2815	2637	1192	18872	897	43823

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Guihuang Highway Vehicle Classifications are defined as below:

Vehicle Type	Vehicle Class	Definition
Passenger Vehicle	1	≤7 Seats
	2	8-19 Seats
	3	20-39 Seats
	4	≥40 Seats
Goods Vehicle	1	0-2 Tons
	2	3-5 Tons
	3	6-10 Tons
	4	11-15 Tons, 20' Container Vehicle
	5	>15 Tons, 40' Container Vehicles
Non Toll	Government Approved Vehicles	

Guihuang Class I Highway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle				Goods Vehicle					Non Toll	Total
	1	2	3	4	1	2	3	4	5		
2016	21561	1865	275	133	2647	449	243	330	331	461	28294
2017	22482	1945	287	138	2807	476	258	350	351	481	29575
2018	23442	2028	299	144	2978	505	274	372	373	501	30915
2019	24444	2115	312	150	3159	536	290	394	395	523	32317
2020	25488	2205	325	157	3351	568	308	418	419	545	33784
2021	26305	2276	335	162	3504	594	322	437	438	562	34935

Guihuang Class I Highway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle				Goods Vehicle					Non Toll	Total
	1	2	3	4	1	2	3	4	5		
2016	21974	1901	280	135	2702	458	248	337	338	470	28843
2017	23006	1990	293	142	2882	489	265	360	361	492	30279
2018	24088	2084	307	148	3075	521	282	384	385	515	31789
2019	25220	2182	322	155	3280	556	301	409	410	539	33375
2020	26405	2284	337	162	3500	593	321	437	438	565	35042
2021	27335	2365	349	168	3675	623	338	459	460	584	36355

Guihuang East Gate Expressway Projected Daily Traffic (Vehicles) - Conservative Scenario

Year	Passenger Vehicle				Goods Vehicle					Non Toll	Total
	1	2	3	4	1	2	3	4	5		
2016	2087	220	64	382	493	524	403	823	954	708	6659
2017	2172	229	67	398	522	556	427	872	1011	737	6991
2021	2526	266	78	462	648	690	531	1084	1256	857	8399
2022	2603	274	80	477	677	721	555	1132	1312	884	8716
2026	2921	308	90	535	800	851	655	1337	1549	991	10037
2027	2993	316	92	548	828	882	678	1385	1605	1016	10342

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Guihuang East Gate Expressway Projected Daily Traffic (Vehicles) - Optimistic Scenario

Year	Passenger Vehicle				Goods Vehicle					Non Toll	Total
	1	2	3	4	1	2	3	4	5		
2016	2118	223	65	388	500	532	409	836	969	708	6748
2017	2205	233	68	404	530	564	434	886	1027	738	7087
2021	2566	271	79	470	659	702	540	1102	1277	858	8526
2022	2646	279	82	484	689	734	564	1152	1335	885	8849
2026	2971	313	92	544	815	867	667	1362	1578	994	10201
2027	3044	321	94	557	844	898	691	1411	1635	1018	10513

E6. TOLL RATE STRUCTURE AND REVENUE FORECASTS

Future revenues are estimated based on the projected traffic and the anticipated toll rates. Toll levied at the Expressway are derived from the toll rates below:

Yongtaiwen Expressway (Wenzhou Section) Toll Rates

Vehicle Class	Toll = Per Exit+Distance (Km)*RMB/KM+Tunnel Fee	
	Per Exit （RMB/Vehicle）	Toll Rate (RMB) Per Km
Class 1	5	0.40
Class 2	5	0.40
Class 3	10	0.80
Class 4	15	1.20
Goods Vehicle	0.09/Km-Ton	
Class 6	15	1.20
Class 7	15	1.40

Note:The above toll rates are increased by 15% for every 7 years from year 2022

Yongtaiwen Expressway (Wenzhou Section) North and South Sections Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Merge S.	Total
2016	433.0	54.5	118.7	59.8	540.8	5.6	89.1	-	1301.5
2017	439.9	55.3	120.6	60.8	549.5	5.7	90.5	-	1322.3
2020	311.3	38.9	86.4	39.1	395.0	4.2	50.7	184.9	1110.5
2021	315.3	39.4	87.5	39.6	400.1	4.2	51.4	187.3	1124.7
2025	381.6	47.6	105.9	47.9	484.2	5.1	62.1	226.6	1361.1
2029	458.3	57.2	127.2	57.5	581.5	6.2	74.6	272.2	1634.7
2030	463.3	57.8	128.6	58.2	587.9	6.2	75.5	275.1	1652.5

Yongtaiwen Expressway (Wenzhou Section) North and South Sections Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Merge S	Total
2016	437.8	55.1	120.0	60.5	546.8	5.7	90.1	-	1315.8
2017	445.5	56.0	122.2	61.5	556.4	5.8	91.7	-	1339.0
2020	315.0	39.3	87.5	39.6	399.8	4.2	51.5	210.7	1147.6
2021	319.5	39.9	88.7	40.2	405.4	4.3	52.3	214.4	1164.6
2025	388.6	48.5	107.9	48.9	493.1	5.2	63.6	261.8	1417.5
2029	468.7	58.5	130.1	59.0	594.8	6.3	76.7	315.8	1709.8
2030	474.3	59.2	131.7	59.7	601.9	6.4	77.6	319.5	1730.3

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Ningbo Port Expressway Toll Rates

Vehicle Class	Toll = Per Exit+Distance (Km)*RMB/KM+Tunnel Fee	
	Per Exit （RMB/Vehicle）	Toll Rate (RMB) Per Km
Class 1	5	0.40
Class 2	5	0.40
Class 3	10	0.80
Class 4	15	1.20
Goods Vehicle	0.09/Km-Ton	
Class 6	15	1.20
Class 7	15	1.40

Note:The above toll rates are increased by 15% for every 7 years from year 2022

Ningbo Port Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Total
2016	28.4	7.8	12.7	10.5	42.5	6.9	199.6	308.5
2017	29.1	8.0	13.0	10.8	43.5	7.0	204.2	315.6
2020	31.1	8.6	13.9	11.5	46.6	7.5	218.6	337.9
2021	31.8	8.7	14.2	11.8	47.5	7.7	223.1	344.9
2025	39.7	10.9	17.8	14.7	59.3	9.6	278.6	430.6
2026	40.3	11.1	18.0	14.9	60.3	9.7	282.9	437.3
2027	40.9	11.3	18.3	15.2	61.2	9.9	287.3	444.1

Ningbo Port Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Total
2016	29.1	7.9	12.9	10.8	42.9	6.9	205.8	316.3
2017	29.8	8.1	13.2	11.0	44.0	7.1	211.0	324.4
2020	32.1	8.7	14.3	11.9	47.5	7.7	227.5	349.7
2021	32.9	8.9	14.6	12.2	48.5	7.8	232.7	357.7
2025	41.4	11.3	18.4	15.3	61.1	9.9	292.9	450.2
2026	42.1	11.4	18.7	15.6	62.2	10.0	297.9	457.9
2027	42.8	11.6	19.0	15.9	63.2	10.2	303.0	465.7

Jiurui Expressway Toll Rates

Vehicle Class	Passenger Vehicle (RMB/Km)	Goods Vehicle RMB/Ton-Km (A)	Goods Vehicle RMB/Km (B)
Class 1	0.450	0.08	0.40
Class 2	0.80	0.08-0.6	1.15
Class 3	1.15	0.08-0.06	1.60
Class 4	1.5	N/A	N/A

Note: 1)For goods vehicles cannot be identified using toll rate in A, then B will apply
2) The above toll rates are increased by 15% for every 7 years from year 2022

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Jiurui Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	27.4	0.8	0.8	3.2	36.2	68.3
2017	30.6	0.9	0.8	3.5	43.2	79.1
2021	79.7	2.3	2.2	9.2	143.7	237.0
2026	99.2	2.8	2.7	11.5	206.9	323.1
2031	123.0	3.5	3.4	14.2	312.6	456.7
2036	152.0	4.3	4.2	17.6	465.9	644.1
2039	156.7	4.5	4.3	18.1	517.9	701.5
2040	157.0	4.5	4.3	18.2	521.0	705.0

Jiurui Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	27.8	0.8	0.8	3.2	36.8	69.4
2017	32.0	0.9	0.9	3.7	44.1	81.6
2021	93.1	2.7	2.6	10.8	166.6	275.7
2026	117.2	3.3	3.2	13.6	264.6	401.9
2031	146.8	4.2	4.0	17.0	413.7	585.7
2036	183.2	5.2	5.0	21.2	638.9	853.5
2039	189.7	5.4	5.2	22.0	722.6	945.0
2040	190.2	5.4	5.2	22.0	727.0	949.9

Guixing Expressway, Guiyang Expressway, Yangping Expressway and Guiliu 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	

Note: The above toll rates are increased by 15% for every 7 years from year 2022

APPENIDIX E **TRAFFIC AND REVENUE FOREAST**

Guixing Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	77.0	0.6	4.8	6.2	95.8	184.4
2017	80.5	0.7	5.0	6.5	103.3	195.9
2021	127.9	1.1	7.9	10.3	183.8	331.0
2026	164.2	1.3	10.2	13.2	271.5	460.4
2031	208.4	1.7	12.9	16.7	391.3	631.1
2036	262.3	2.2	16.2	21.1	552.7	854.4
2041	285.7	2.3	17.7	22.9	672.1	1000.8
2042	290.5	2.4	18.0	23.3	697.8	1031.9

Guixing Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	78.2	0.6	4.8	6.3	97.3	187.3
2017	82.2	0.7	5.1	6.6	105.9	200.5
2021	141.1	1.2	8.7	11.3	205.2	367.5
2026	183.1	1.5	11.3	14.7	310.5	521.1
2031	234.7	1.9	14.5	18.8	457.5	727.5
2036	298.0	2.4	18.4	23.9	659.3	1002.1
2041	327.4	2.7	20.3	26.3	817.2	1193.9
2042	333.4	2.7	20.6	26.8	851.6	1235.1

Guiyang Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	102.3	1.7	13.4	14.6	33.8	165.8
2017	107.3	1.8	14.0	15.3	36.5	174.9
2021	177.3	3.0	23.1	25.3	61.8	290.6
2026	197.9	3.3	25.8	28.2	79.4	334.7
2031	218.5	3.7	28.5	31.2	99.5	381.4
2036	239.1	4.0	31.2	34.1	122.3	430.7
2037	243.3	4.1	31.7	34.7	127.2	441.0
2038	247.5	4.2	32.3	35.3	132.3	451.6

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Guiyang Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	103.9	1.8	13.6	14.8	34.3	168.3
2017	109.6	1.9	14.3	15.6	37.4	178.8
2021	196.8	3.3	25.7	28.1	75.8	329.7
2026	222.1	3.7	29.0	31.7	99.8	386.2
2031	247.6	4.2	32.3	35.3	127.8	447.2
2036	273.3	4.6	35.7	39.0	160.2	512.8
2037	278.6	4.7	36.3	39.7	167.3	526.7
2038	283.9	4.8	37.0	40.5	174.7	541.0

Yangping Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	39.9	0.5	3.1	8.3	26.8	78.4
2017	41.8	0.5	3.2	8.7	28.9	83.0
2021	78.7	0.9	6.1	16.3	60.7	162.8
2026	101.1	1.2	7.8	20.9	89.7	220.6
2031	128.3	1.5	9.9	26.6	129.3	295.5
2036	161.5	1.9	12.4	33.4	182.6	391.8
2037	164.3	1.9	12.6	34.0	190.0	402.8
2038	167.1	1.9	12.8	34.6	197.6	414.2

Yangping Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	40.5	0.5	3.1	8.4	27.2	79.6
2017	42.7	0.5	3.3	8.8	29.6	84.9
2021	89.5	1.0	6.9	18.5	69.7	185.7
2026	116.1	1.4	8.9	24.0	105.5	255.9
2031	148.8	1.7	11.4	30.8	155.5	348.3
2036	189.1	2.2	14.5	39.2	225.3	470.3
2037	189.1	2.2	14.5	39.2	225.3	470.4
2038	189.2	2.2	14.5	39.2	225.3	470.5

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Guiliu Expressway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	162.4	45.5	66.9	37.7	233.5	546.0
2017	166.5	46.7	68.6	38.7	247.1	567.6
2020	170.7	47.9	70.3	39.7	279.0	607.6
2021	166.0	46.6	68.4	38.6	279.7	599.2
2022	195.3	54.8	80.5	45.4	338.4	714.3
2023	199.7	56.0	82.3	46.4	356.2	740.5
2024	204.2	57.3	84.1	47.5	374.8	767.9

Guiliu Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle 1	Passenger Vehicle 2	Passenger Vehicle 3	Passenger Vehicle 4	Goods Vehicle	Total
2016	164.8	46.2	67.9	38.3	237.0	554.2
2017	169.4	47.5	69.8	39.4	252.1	578.2
2020	173.2	48.6	71.4	40.3	286.7	620.1
2021	167.1	46.9	68.9	38.8	286.0	607.7
2022	197.0	55.2	81.2	45.8	347.8	727.0
2023	201.9	56.6	83.2	46.9	367.9	756.5
2024	206.9	58.0	85.3	48.1	389.1	787.3

Guihuang Highway Toll Rates (RMB)

Origin	Destination (KM)	Normal Vehicle								
		Passenger Vehicle				Goods Vehicle				
		1	2	3	4	1	2	3	4	5
Jinguan	Jinhua (12.5)	7	10	15	25	10	25	45	55	65
	Dongmenqiao (23.1)	12	20	25	45	20	45	75	95	120
	Qingzhen (25)	13	20	25	45	20	45	80	100	125
Jinhua	Jinguan(12.5)	7	10	15	25	10	25	45	55	65
	Dongmenqiao (10.6)	5	8	10	20	8	20	30	40	50
	Qingzhen(12.5)	6	9	15	20	9	20	40	45	60
Dongmenqiao	Jinguan(23.1)	12	20	25	45	20	45	75	95	120
	Jinhua(10.6)	5	8	10	20	8	20	30	40	50
	Qingzhen(1.9)	1	1	2	3	1	3	6	7	9
Qingzhen	Jinguan(25)	13	20	25	45	20	45	80	100	125
	Jinhua(12.5)	6	9	15	20	9	20	40	45	60
	Dongmenqiao(1.9)	1	1	2	3	1	3	6	7	9

Note: The above toll rates are increased by 15% for every 7 years from year 2022

APPENIDIX E TRAFFIC AND REVENUE FOREAST

Guihuang Class I Highway Projected Annual Revenue (RMB million) - Conservative Scenario

Year	Passenger Vehicle				Goods Vehicle					Total
	1	2	3	4	1	2	3	4	5	
2016	72.6	12.1	1.5	1.4	13.6	5.3	4.0	7.8	9.9	128.2
2017	75.7	12.7	1.5	1.4	14.4	5.6	4.2	8.3	10.6	134.4
2018	78.9	13.2	1.6	1.5	15.3	5.9	4.4	8.8	11.2	140.9
2019	82.3	13.8	1.7	1.6	16.3	6.3	4.7	9.3	11.9	147.8
2020	85.8	14.4	1.7	1.6	17.2	6.7	5.0	9.9	12.6	155.0
2021	88.5	14.8	1.8	1.7	18.0	7.0	5.2	10.4	13.2	160.6

Guihuang Class I Highway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle				Goods Vehicle					Total
	1	2	3	4	1	2	3	4	5	
2016	74.0	12.4	1.5	1.4	13.9	5.4	4.0	8.0	10.2	130.7
2017	77.4	13.0	1.6	1.5	14.8	5.8	4.3	8.5	10.8	137.7
2018	81.1	13.6	1.6	1.5	15.8	6.1	4.6	9.1	11.6	145.0
2019	84.9	14.2	1.7	1.6	16.9	6.5	4.9	9.7	12.3	152.8
2020	88.9	14.9	1.8	1.7	18.0	7.0	5.2	10.4	13.2	161.0
2021	92.0	15.4	1.9	1.8	18.9	7.3	5.5	10.9	13.8	167.4

Guihuang East Gate Expressway Projected Annual Revenue (RMB million)- Conservative Scenario

Year	Passenger Vehicle				Goods Vehicle					Total
	1	2	3	4	1	2	3	4	5	
2016	6.3	1.0	0.4	3.2	1.9	4.9	6.8	17.0	25.1	66.6
2017	6.5	1.0	0.4	3.3	2.0	5.2	7.2	18.0	26.6	70.3
2021	7.6	1.2	0.5	3.8	2.4	6.5	9.0	22.4	33.1	86.5
2022	9.0	1.4	0.6	4.5	2.9	7.8	10.8	26.9	39.7	103.7
2026	10.1	1.6	0.7	5.1	3.5	9.2	12.7	31.8	46.9	121.5
2027	10.4	1.6	0.7	5.2	3.6	9.5	13.2	32.9	48.6	125.7

Guihuang East Gate Expressway Projected Annual Revenue (RMB million) - Optimistic Scenario

Year	Passenger Vehicle				Goods Vehicle					Total
	1	2	3	4	1	2	3	4	5	
2016	6.4	1.0	0.4	3.2	1.9	5.0	6.9	17.3	25.5	67.6
2017	6.6	1.0	0.4	3.3	2.0	5.3	7.3	18.3	27.0	71.4
2021	7.7	1.2	0.5	3.9	2.5	6.6	9.1	22.8	33.6	88.0
2022	9.2	1.4	0.6	4.6	3.0	7.9	11.0	27.4	40.4	105.5
2026	10.3	1.6	0.7	5.2	3.5	9.4	13.0	32.4	47.8	123.8
2027	10.5	1.7	0.7	5.3	3.6	9.7	13.4	33.5	49.5	128.0

E7. 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 Studies and data are presented in the reports of " Traffic and Revenue Study Report" of each respective Expressway.

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

Richard Yau
Project Director

Jessica Liang
Project Manager

APPENIDIX E

OPERATION AND MAITENANCE COST ESTIMATION

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6 June 2016

The Directors
China Merchants Holdings (Pacific) Limited

Dear Sirs,

Operation & Maintenance (O&M) Study for Eight Expressways

In accordance with your instructions and for China Merchants Holdings (Pacific) Limited (the "Company"), THI Asia Consultants Limited (also referred to as "THI" or the "Consultant") has conducted an independent assessment on the Operation and Maintenance (O&M) studies (the "Studies") of the Eight Expressways (hereafter referred as the "Expressways"). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future operation and maintenance for the Expressways 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 Expressways; meetings with managements of the Expressway operators 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 Companies, we have sought confirmation from the managements of the Expressways 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 reports of "Operation & Maintenance Cost Estimation Study" for respective Expressway. 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;

APPENIDIX E **OPERATION AND MAITENANCE 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 of the subject facility.

In accordance with the study objectives, scope and schedule, THI conducted a site visits to perform: (a) brief visual assessment on selected portions and elements of the Expressways; and (b) meetings with the toll road operators 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 expressways 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

Yongtaiwen Expressway (Wenzhou Section)

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ01-88.

Leqing Huwu Street to Bailuyu Section

This section has a total length of the alignment is approximate of 63.3 Km with 4 interchanges was opened to traffic in December 2002. The expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100Km/hr. The width of the road base is 24.5 meters and tunnel clearance 10.25 meters. Design Flood Frequency for large and medium bridges is 1/100 and small bridge and road base is 1/50.

Ouhai Nanbaixiang to Feiyun Section

This section has a total length of the alignment is approximate of 22.24 km with 3 interchanges was opened to traffic in December 2002. The expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 122 loading with maximum design speed of 100Km/hr. The width of the road base is 24.5 meters and tunnel clearance 10.25 meters. Design flood frequency for large and medium bridges is 1/100 and small bridge and road base is 1/50.

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Feiyun to Fengshuiguan Section

This section has a total length of the alignment is approximate of 54.77 Km with 5 interchanges was opened to traffic in December 2003. The expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 123 loading with maximum design speed of 80Km/hr. The width of the road base is 24.5 meters and tunnel clearance 10.25 meters. Design Flood Frequency for large and medium bridges is 1/100 and small bridges and road base is 1/50.

Beilun Port Expressway

The Expressway is a four-lane carriageway (Dual-2) located at the south-western area of Ningbo Municipality connecting with Taizhou Municipality in the west and Hangzhou in the west.

The Expressway with a total length of 51.426 Km comprises two sections as below:

(1) Beilun Port Toll Station to Dazhujia - This section starts from Beilun Toll Station at the south-eastern area of Daqi town in Beilun District. This section open to traffic in year 1998 runs south-westward via Ningbo East to Dazhujia at where connects with Hangyong Expressway. The length of this section is 30.378 Km.

(2) Ningbo East Toll Station to Jiangshan Toll Station connecting link – this section of Expressway is from Panhuo Interchange; the Expressway runs southward to Jiangshan and ends at the west of Xiwu Town in Fenghua City of Ningbo. This section open to traffic in year 2000 is part of Yontaiwen Expressway with a total length of 21.048 Km

Jiurui Expressway

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Expressway as per JTG B01-2003 are listed in Table 2.2.1. Typical design data for Class I Highway and Expressway is as per JTG B01-2003.

Guixing Expressway

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ003-95.

Guiyang Expressway

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ001-97.

Yangping Expressway

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ001-97.

Guiliu Expressway

The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ003-94.

Guihuang Class 1 Highway

The Guihuang Class 1 Highway is a highway between Guiyang and Qingzhen. The road is 25.24 km in length in a mountainous terrain. It is constructed to dual-2 standard with no shoulders; however, an extra climbing lane is provided in the uphill direction at locations with long and steep gradients. The design speed is 100 kph and there are three interchanges. The Class 1 Highway and East Gate Expressway were designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography.

Guihuang East Gate Expressway

The East Gate Expressway is about 14 km in length. The Expressway was designed for the classification of "Expressway" for Truck 20 – Trailer 120 loading with maximum design speed of 100kph respectively. All of the facilities were designed for "Flat/Light Rolling" topography. Typical design data for Class I Highway and Expressway is as per JTJ003-95.

APPENIDIX E **OPERATION AND MAITENANCE COST ESTIMATION**

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.

THI has reviewed and evaluated the estimated maintenance fees 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.

Yongtaiwen Expressway (Wenzhou Section) Operation and Maintenance costs for the concession period (RMB million)

Year	2016	2017	2020	2021	2029	2030
Cost	89.2	91.9	100.4	103.4	131.0	135.0

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

Year	2016	2017	2020	2025	2026	2027	2028
Cost	100.7	52.3	57.2	66.3	68.3	70.3	72.4

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

Year	2016	2017	2021	2026	2031	2036	2039	2040
Cost	2.8	2.9	3.2	3.8	4.4	80.1	5.5	5.7

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

Year	2016	2017	2021	2026	2031	2036	2041	2042
Cost	11.0	12.3	74.8	16.0	18.6	21.6	139.1	139.1

APPENIDIX E **OPERATION AND MAITENANCE COST ESTIMATION**

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

Year	2016	2017	2021	2026	2031	2036	2037	2038
Cost	10.5	7.6	8.6	90.2	11.5	13.3	13.7	14.1

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

Year	2016	2017	2021	2026	2031	2036	2037	2038
Cost	6.4	8.1	9.1	97.2	12.2	14.2	14.6	15.1

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

Year	2016	2017	2020	2021	2022	2023	2024
Cost	588.6	325.4	7.6	7.8	8.1	8.3	8.6

Guihuang Class I Highway Operation and Maintenance costs for the concession period (RMB million)

Year	2016	2017	2018	2019	2020	2021
Cost	3.0	3.2	3.3	3.5	3.6	3.7

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

Year	2016	2017	2021	2022	2026	2027
Cost	7.0	7.3	8.2	30.8	9.5	9.8

Management Costs

The management costs include the salaries, staff costs and office administration costs. All of the operation setups are 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:

Yongtaiwen Expressway (Wenzhou Section) Management costs for the concession period (RMB million)

Year	2016	2017	2020	2021	2029	2030
Cost	176.4	181.7	198.6	204.5	259.1	266.8

APPENIDIX E **OPERATION AND MAITENANCE COST ESTIMATION**

Ningbo Port Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2020	2025	2026	2027	2028
Cost	8.5	8.7	9.5	11.1	11.4	11.7	12.1

Jiurui Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2021	2026	2031	2036	2039	2040
Cost	17.8	18.3	20.6	23.9	27.7	32.1	35.0	36.1

Guixing Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2021	2026	2031	2036	2041	2042
Cost	26.3	23.5	26.5	30.8	35.7	41.4	47.9	49.4

Guiyang Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2021	2026	2031	2036	2037	2038
Cost	21.8	22.5	24.9	28.9	33.5	38.8	40.0	41.2

Yangping Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2021	2026	2031	2036	2037	2038
Cost	10.6	11.0	12.4	14.4	16.7	19.3	19.9	20.5

Guiliu Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2020	2021	2022	2023	2024
Cost	21.9	22.8	25.2	25.9	26.7	27.5	28.3

Guihuang Class I Highway Management costs for the concession period (RMB million)

Year	2016	2017	2018	2019	2020	2021
Cost	13.3	13.7	14.1	14.5	15.0	15.4

Guihuang East Gate Expressway Management costs for the concession period (RMB million)

Year	2016	2017	2021	2022	2026	2027
Cost	10.4	10.7	12.0	12.4	13.9	14.3

APPENIDIX E **OPERATION AND MAITENANCE 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 Studies and data are presented in the " Operation & Maintenance Estimation Study" for each respective Expressway report.

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

Richard Yau
Executive Director

Jessica Liang
Project Manager

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