

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198101278D

ANNOUNCEMENT

PROPOSED SCRIP DIVIDEND SCHEME

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of China Merchants Holdings (Pacific) Limited (the “**Company**”) is pleased to announce the introduction of a scrip dividend scheme by the Company, to be called the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme (the “**Scrip Dividend Scheme**”).

Under the terms and conditions of the Scrip Dividend Scheme (the “**Terms and Conditions**”), if the Directors have determined that the Scrip Dividend Scheme will apply to any particular cash dividend (including any interim, final, special or other dividend), persons registered in the Register of Members of the Company or, as the case may be, the Depository Register (as defined in the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”)) as the holders of fully paid ordinary shares (“**Shares**”) in the capital of the Company (“**Shareholders**”) may elect to receive fully paid new Shares (“**New Shares**”) in lieu of part only or all of the cash amount of that dividend which is declared on the Shares held by them.

The implementation of the Scrip Dividend Scheme is subject to and contingent upon receipt of the requisite approvals mentioned in **paragraph 5** below. General information about the Scrip Dividend Scheme is set out in **paragraph 4** below.

2. RATIONALE AND PURPOSE OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme, if and when applied to any particular dividend, will provide an opportunity for Shareholders to elect to receive the dividend in the form of New Shares, credited as fully paid, instead of cash. It will enable Shareholders to participate in the share capital of the Company without incurring brokerage fees and other related costs.

The Board believes the Company will benefit from the participation by Shareholders in the Scrip Dividend Scheme as, to the extent that Shareholders elect to receive dividends in the form of New Shares, the cash which would otherwise have been paid out in cash dividends may then be retained to fund the growth and expansion of the Company and its subsidiaries (the “**Group**”). An issue of New Shares in lieu of cash dividends under the Scrip Dividend Scheme will also enlarge the Company’s share capital base and the retention of cash will help to strengthen the Company’s working capital position.

3. TERMS AND CONDITIONS OF THE SCRIP DIVIDEND SCHEME

The Terms and Conditions will be set out in the Scrip Dividend Scheme Statement, a copy of which is set out in the **Schedule** of this Announcement.

4. GENERAL INFORMATION

- 4.1 **Eligibility.** All Shareholders are eligible to participate in the Scrip Dividend Scheme subject to the restrictions on Overseas Shareholders (as defined in **paragraph 4.2** below), as more particularly described in **paragraph 4.2** below, and except that participation in the Scrip Dividend Scheme shall not be available to such Shareholders or class of Shareholders as the Directors may in their absolute discretion determine, and further, shall be subject to the

requirement that such participation or receipt of New Shares under the Scrip Dividend Scheme by any Shareholder will not result in a breach of any other restriction on such Shareholder's holding of New Shares which may be imposed by any law or regulation in force in Singapore or any other relevant jurisdiction, as the case may be, or prescribed by the constitution of the Company.

- 4.2 **Overseas Shareholders.** For practical reasons and to avoid any violation of the securities laws applicable in countries outside Singapore where Shareholders may have their registered addresses, unless otherwise determined by the Directors in their absolute discretion, Shareholders with registered addresses outside Singapore and who have not provided to the Company, or where the Shareholder is a Depositor¹, The Central Depository (Pte) Limited ("**CDP**"), in each case at least three Market Days² prior to the Books Closure Date³ (or such other period as the Directors may determine), mailing addresses in Singapore for the service of notices and documents (each such Shareholder, an "**Overseas Shareholder**") may not participate in the Scrip Dividend Scheme. No Overseas Shareholder shall have any claim whatsoever against the Company, the Company's share registrar, CDP or any of their respective agents in connection therewith.

Overseas Shareholders who may not participate in the Scrip Dividend Scheme and who receive or come to have in their possession a notice of election or any other document in connection with the Scrip Dividend Scheme may not treat the same as an invitation or offer of any securities to them. Overseas Shareholders are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Scrip Dividend Scheme as may be applicable to them.

Overseas Shareholders who wish to be eligible to participate in the Scrip Dividend Scheme should provide a mailing address in Singapore for the service of notices and documents to the Company c/o the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or, if the Overseas Shareholder is a Depositor, to CDP at The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589, in each case at least three Market Days prior to the Books Closure Date (or such other period as the Directors may determine). Such Overseas Shareholders should note that all correspondence, notices and documents will be sent to their last registered mailing address in Singapore maintained with the Company or, in the case of such Overseas Shareholders who are Depositors, their last registered mailing address in Singapore maintained with CDP.

- 4.3 **No Known Tax Advantage for Participating in the Scrip Dividend Scheme.** The Company takes no responsibility for the taxation liabilities of participating Shareholders or the tax consequences of any election made by Shareholders. As individual circumstances and laws vary considerably, specific taxation advice should be obtained by Shareholders if they are in any doubt or if they otherwise require.

The Company takes no responsibility for the correctness or accuracy of any information as to taxation liability set out in this Announcement or in the Scrip Dividend Scheme Statement.

¹ "**Depositor**" has the meaning ascribed to it in the SFA.

² "**Market Day**" means a day on which the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") is open for trading in securities.

³ "**Books Closure Date**" means a date to be determined by the Directors for the purpose of determining the entitlements of Shareholders to a dividend.

As a general indication, however, it is understood that as at the date of this Announcement, under tax legislation in Singapore, there is no tax advantage to be gained by reason of having elected to participate in the Scrip Dividend Scheme.

- 4.4 **Participating Shareholders may Receive Odd Lots.** As the Shares are presently traded in board lots of 100 Shares each, a Shareholder who elects to receive New Shares in lieu of the cash amount of any dividend to which the Scrip Dividend Scheme applies may receive such New Shares in odd lots.
- 4.5 **Fractional Entitlements.** Fractional entitlements to the New Shares will be rounded down to the nearest whole number or otherwise dealt with in such manner as the Directors may deem fit in the interests of the Company.
- 4.6 **Obligations under the Code.** The attention of Shareholders is drawn to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”). In particular, a Shareholder should note that pursuant to Rule 14.1 of the Code, he may be under an obligation to extend a take-over offer for the Company if:
- (a) he, by participating in the Scrip Dividend Scheme in relation to any dividend to which the Scrip Dividend Scheme applies, acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of the Company; or
 - (b) he, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of the Company, and he or any person acting in concert with him, by participating in the Scrip Dividend Scheme in relation to any dividend to which the Scrip Dividend Scheme applies, acquires in any period of six months additional Shares carrying more than one per cent. of the voting rights of the Company.

The statements above do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Code as a result of any acquisition of New Shares through their participation in the Scrip Dividend Scheme are advised to consult their professional advisers and/or the Securities Industry Council of Singapore at the earliest opportunity.

5. APPROVALS REQUIRED FOR IMPLEMENTING THE SCRIP DIVIDEND SCHEME

- 5.1 **Shareholders’ Approval for Issuance of New Shares.** Pursuant to Rule 862 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), an announcement must be made by an issuer if it wishes to implement a scrip dividend scheme which enables shareholders to elect to receive shares in lieu of the cash amount of any dividend.

To facilitate the implementation of the Scrip Dividend Scheme, it is proposed that the existing constitution of the Company be amended to, *inter alia*, include a new article to enable Shareholders to elect to receive dividends in the form of New Shares, credited as fully paid, instead of cash (the “**Proposed Constitution Amendment**”). The new article will be set out in a circular to be despatched to Shareholders in due course, together with notice of an extraordinary general meeting (“**EGM**”) to be convened to seek the approval of Shareholders for, *inter alia*, the Proposed Constitution Amendment.

While there is no requirement under the Listing Manual for Shareholders’ approval for the implementation of the Scrip Dividend Scheme, the allotment and issuance of New Shares

pursuant to the Scrip Dividend Scheme is subject to the approval of the Shareholders. The authority to issue New Shares under the Scrip Dividend Scheme may be in the form of specific Shareholders' approval in compliance with Rule 805 of the Listing Manual, or the Company may otherwise rely on a valid general mandate granted by the Shareholders to the Directors pursuant to Rule 806 of the Listing Manual. In this regard, the Company intends to seek specific Shareholders' approval for the issuance of New Shares under the Scrip Dividend Scheme at the EGM.

- 5.2 **SGX-ST's Approval for Listing and Quotation of New Shares.** In compliance with Appendix 8.4.4 to the Listing Manual, application(s) will be made by the Company for the admission to the Official List of the SGX-ST of the New Shares as may, from time to time, be issued by the Company pursuant to the Scrip Dividend Scheme, and for the listing and quotation of such New Shares on the Mainboard of the SGX-ST.

Any approval of the SGX-ST for the listing of such New Shares is not to be taken as an indication of the merits of the Scrip Dividend Scheme, the Shares, the New Shares or the Group.

BY ORDER OF THE BOARD

Lim Lay Hoon
Company Secretary
Singapore, 25 February 2016

SCHEDULE

SCRIP DIVIDEND SCHEME STATEMENT