THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Merchants Port Holdings Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

招商局港口控股有限公司

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS DISPOSAL OF VARIOUS LAND INTEREST IN QIANHAI AND RELATED TRANSACTIONS

AND

(2) RE-ELECTION OF MR XIONG XIANLIANG

The Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 28 of this circular, a letter from the Independent Board Committee is set out on pages 29 to 30 of this circular, a letter from Somerley, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 59 of this circular and a property valuation report from the Independent Property Valuer in relation to the CMP Land interests held by Antongjie and Ansujie and the New Land after the Reclassification is set out on pages I-1 to I-6 of this circular.

A notice convening the EGM of China Merchants Port Holdings Company Limited to be held at Island Ballroom, Level 5, Island Shangri-La, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:30 a.m., on Monday, 25 February 2019 is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) if you so wish.

1 February 2019

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Aggregate CM Land"	various land in Qianhai, Shenzhen with an aggregate land area of approximately 2,911,000 sq.m., as at the date of this circular, held by the Land Holding Companies
"Ansujie"	Ansujie Port and Warehouse Services (Shenzhen) Company Limited (安速捷碼頭倉儲服務(深圳)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Antongjie"	Antongjie Port and Warehouse Services (Shenzhen) Company Limited* (安通捷碼頭倉儲服務(深圳)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Assigned Debt"	a debt amount of RMB356,137,574 (equivalent to approximately HK$406,549,742) to be assigned by CMSA to Antongjie pursuant to the Debt Assignment Agreement
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to this term under the Listing Rules
"A1 Company"	Shenzhen China Merchants Qianhai Assets Development Co. Ltd.* (深圳市招商前海實業發展有限公司), a company incorporated in the PRC and a subsidiary of CMG, as disclosed in the announcement made by the Company on 28 July 2016, A1 Company was previously intended to be named as Shenzhen China Merchants Qianhai Investment Holdings Co. Ltd. (深圳市招商前海投資控股有限公司)
"A2 Company"	Shenzhen China Merchants Qianhai Chidi Asset Company Limited* (深圳市招商前海馳迪實業有限公司), a company incorporated in the PRC and a subsidiary of CMG
"Board"	the board of Directors
"B1 Company"	Shenzhen Qianhai Development Investment Holdings Company Limited* (深圳市前海開發投資控股有限公司), a company incorporated in the PRC and a subsidiary of QHSH
"B2 Company"	Shenzhen Qianhai Hongyi Industrial Investment Co., Ltd.* (深圳市前海鴻昱實業投資有限公司), a company incorporated in the PRC and a subsidiary of QHSH

"Capital Increase Agreement"	the capital increase agreement dated 11 January 2019 entered into by the Land Holding Companies and A1 Company in relation to the First Capital Increase and the Second Capital Increase
"CMG"	China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC and the ultimate holding company of the Company
"CMG Group"	CMG and its subsidiaries
"CMLH"	China Merchants Logistics Holdings Co., Ltd. (招商局物流集團有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CMG
"CMP Land"	two pieces of land held by Antongjie and Ansujie with an aggregate land area of 965,958.41 sq.m. plus interest in land with an aggregate area of 36,202.90 sq.m. which Antongjie has previously acquired from CMSK but has yet to obtain the relevant land use rights certificate
"CMSA"	Shenzhen China Merchants Shekou Asset Management Company Limited* (深圳市招商局蛇口資產管理有限公司), a company incorporated in the PRC and a subsidiary of CMG
"CMSK"	China Merchants Shekou Industrial Zone Holdings Company Limited* (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC and a subsidiary of CMG
"CMSK Subsidiaries"	a number of wholly-owned subsidiaries of CMSK (including QHPF), companies incorporated in the PRC and subsidiaries of CMG
"CM Property Valuer"	Touchstone Valuation Consulting Company Limited* (深圳市同致誠土地房地產估價顧問有限公司), a company incorporated in the PRC and an approved property valuer in the PRC
"Company"	China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"C1 Joint Venture Company"	Shenzhen Qianhai Shekou Free Trade Investment Development Company Limited* (深圳市前海蛇口自貿投資發展有限公司), a company incorporated in the PRC

"Dachan Bay Land"	a piece of land located in Dachan Bay Port Phase II* (大鏟灣港區二期) with the same area and corresponding coastal length as the Exchange Land. The exact location of the Dachan Bay Land is subject to further agreement between SZPL, CMG, Antongjie and Ansujie
"Debt Assignment Agreement"	the debt assignment agreement dated 11 January 2019 entered into between Antongjie as assignee, CMSA as the assignor and A2 Company as debtor in relation to a debt owed by A2 Company to CMSA in accordance with the Debt Confirmation Agreement
"Debt Confirmation Agreement"	a debt confirmation agreement dated 11 January 2019 entered into between, among others, A2 Company and the Land Holding Companies in relation to the debt amount A2 Company owes to each Land Holding Company in connection with the Land Restructuring Agreement
"Debt Confirmation Letter"	a confirmation letter issued by A2 Company to the Land Holding Companies dated 24 December 2018 in relation to the debt owed by A2 Company to the Land Holding Companies arising from the Land Restructuring Agreement
"Directors"	the directors of the Company
"Disposal"	the resumption of the CMP Land held by Antongjie and Ansujie contemplated under the Land Restructuring Agreement
"EGM"	the extraordinary general meeting to be convened and held by the Company to approve the Transactions and the re-election of director as set out in this circular
"Equity Transfer Agreements"	A series of equity transfer agreements dated 11 January 2019 entered into by Antongjie, Ansujie, CMSA, CMSK and the CMSK Subsidiaries in relation to the transfer of equity interest in A1 Company
"Exchange Land"	a prescribed area comprising approximately 55% of the two pieces of land with an aggregate land area of 965,958.41 sq.m. held byAntongjie and Ansujie
"First Capital Increase"	the capital injections in the total amount of RMB43.21 billion (equivalent to approximately HK$49.3 billion) to be made by the Land Holding Companies in A1 Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors, namely Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis established to advise the Independent Shareholders in respect of the Transactions
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
"Independent Property Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Independent Shareholders"	the Shareholders other than CMG and its associates
"Land Holding Companies"	Antongjie, Ansujie, CMSA, CMSK, and CMSK Subsidiaries
"Land Restructuring Agreement"	the land restructuring agreement dated 24 December 2018 entered into among Antongjie, Ansujie, SZPL, QHSH, CMG, the other Land Holding Companies and A2 Company in relation to managing various interest in land in Qianhai, Shenzhen, the PRC
"Latest Practicable Date"	29 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Land"	new land after the Reclassification with an area of approximately 425,300 sq.m. and a value of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) to be granted by QHSH to A2 Company
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administration Region of the People's Republic of China and Taiwan
"QHPF"	Shenzhen Qianhai Pingfangyuanqu Development Company Limited (深圳市前海平方園區開發有限公司), a subsidiary of CMG

"QHSH"	Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission* (深圳市前海深港現代服務業合作區管理局), an authority established by the government of the PRC
"QH Land"	a piece of land to be held by B2 Company, being a portion of the Aggregate CM Land after the Reclassification which does not form the New Land
"QH Property Valuer"	Shenzhen Real Estate Evaluation and Development Research Centre (深圳市房地產評估和發展研究中心), an authority established by the government ofthe PRC
"Reclassification"	the reclassification of land usage of the Aggregate CM Land from port, port-related, logistic and industrial usage to commercial and office composite usage for the purpose of future development by A2 Company and affiliates of SZPL and QHSH
"RMB"	Renminbi, the lawful currency of the PRC
"Second Capital Increase"	the capital injections in the total amount of up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) to be made by the Land Holding Companies in A1 Company
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	holder of the Share(s)
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"SZPL"	Shenzhen Urban Planning, Land and Resources Commission* (深圳市規劃和國土資源委員會), a commission established by the government of the PRC
"Transactions"	the transactions contemplated under the Land Restructuring Agreement, the Debt Confirmation Letter, the Debt Confirmation Agreement, the Debt Assignment Agreement and the Capital Increase Agreement
"US$"	United States dollars, the lawful currency of the United States

"Valuation Consultation Report"	the valuation consultation report by the CM Property Valuer finalised on 10 January 2019 in relation to the amount owed by A2 Company to the Land Holding Companies arising from the Land Restructuring Agreement
"%"	per cent.

* *For identification purpose only*

For the purposes of this circular, the exchange rates of HK$1.00 to RMB0.876 and US$1.0 to HK$7.8 have been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

Directors

Executive Directors:
Mr. FU Gangfeng *(Chairman)*
Mr. SU Jian
Mr. XIONG Xianliang
Mr. BAI Jingtao *(Managing Director)*
Mr. WANG Zhixian
Mr. ZHENG Shaoping

Independent non-executive Directors:
Mr. KUT Ying Hay
Mr. LEE Yip Wah Peter
Mr. LI Kwok Heem John
Mr. LI Ka Fai David
Mr. BONG Shu Ying Francis

Registered Office:

38th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

1 February 2019

To the Shareholders of the Company

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
DISPOSAL OF VARIOUS LAND INTEREST IN QIANHAI AND RELATED TRANSACTIONS

AND

(2) RE-ELECTION OF MR XIONG XIANLIANG

1 INTRODUCTION

Reference is made to (i) the announcement made by the Company dated 24 December 2018 in relation to the Land Restructuring Agreement and the Debt Confirmation Letter; and (ii) the announcement made by the Company dated 11 January 2019 in relation to the Debt Confirmation Agreement, the Debt Assignment Agreement and the Capital Increase Agreement. Reference is also made to the announcement made by the Company dated 4 June 2018 in relation to the appointment of Mr. Xiong Xianliang as executive director of the Company.

The purpose of this circular is to provide you with, among other matters:

(i) further information regarding the details of the Land Restructuring Agreement and the Debt Confirmation Letter;

(ii) further information regarding the details of the Debt Confirmation Agreement;

(iii) further information regarding the details of the Debt Assignment Agreement;

(iv) further information regarding the details of the Capital Increase Agreement;

(v) further information regarding the details of the re-election of Mr. Xiong Xianliang as executive director of the Company;

(vi) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Transactions;

(vii) the letter from Somerley setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions;

(viii) the valuation report from the Independent Property Valuer in respect of the property valuations on the CMP Land interests held by Antongjie and Ansujie and the New Land after the Reclassification; and

(ix) the notice of the EGM at which ordinary resolutions will be proposed to approve the Transactions and the re-election of Mr. Xiong Xianliang as executive Director of the Company.

2 DISPOSAL OF VARIOUS LAND INTEREST IN QIANHAI AND RELATED TRANSACTIONS

(I) BACKGROUND

In 2010, as part of the urban planning policy driven by the PRC government to redevelop Qianhai, Shenzhen into a business zone, the Land Holding Companies were required by the Shenzhen Government to suspend development over the Aggregate CM Land for port, port-related, logistic and industrial purposes. Since 2010, CMG, being the ultimate holding company of the Land Holding Companies, have been in discussion with the Shenzhen Government on behalf of the Land Holding Companies on the future development of the Aggregate CM Land after its original land usage be reclassified for commercial and office composite purposes.

It is currently expected that A1 Company (a wholly-owned subsidiary of the Land Holding Companies and the direct holding company of A2 Company) and B1 Company (a subsidiary of QHSH which is an authority established by the PRC government) will jointly establish a joint venture company known as C1 Joint Venture Company to develop the Aggregate CM Land after the Reclassification.

The Aggregate CM Land comprises various land interests located in Qianhai, Shenzhen, the PRC held by CMG through the Land Holding Companies with an aggregate land area of approximately 2,911,000 sq.m, which includes two pieces of land held by Antongjie and Ansujie with an aggregate land area of 965,958.41 sq.m. plus interest in land with an aggregate area of 36,202.90 sq.m. which Antongjie has previously acquired from CMSK but has yet to obtain the relevant land use rights certificate.

As a result of protracted negotiations among CMG, SZPL and QHSH, the Aggregate CM Land will be disposed to QHSH. As consideration payable by QHSH to the Land Holding Companies, among others, QHSH will transfer a portion of the Aggregate CM Land after the Reclassification (known as the New Land) with an enhanced value as compared with the value of the land prior to the Reclassification, to A2 Company (a company indirectly wholly-owned by the Land Holding Companies).

In order to facilitate the disposal of interests in the Aggregate CM Land between the Land Holding Companies, A1 Company, A2 Company, SZPL and QHSH, the parties entered into the following transactions.

The Land Restructuring Agreement

On 24 December 2018, Ansujie and Antongjie (both being indirect wholly-owned subsidiaries of the Company) entered into the Land Restructuring Agreement with SZPL, QHSH, CMG, the other Land Holding Companies and A2 Company to set out the terms of the disposal of the Aggregate CM Land to QHSH.

Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree to dispose the Aggregate CM Land (including the CMP Land) to QHSH. Upon the Land Restructuring Agreement becoming effective, Antongjie and Ansujie will cease to have any interest in the CMP Land.

The total consideration payable by QHSH to the Land Holding Companies for the transactions contemplated under the Land Restructuring Agreement will comprise (i) the New Land (with a value of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) to be transferred to A2 Company (a company indirectly wholly-owned by the Land Holding Companies) (which has excluded compensation previously paid by QHSH to QHPF in an amount of approximately RMB14.91 million (equivalent to approximately HK$17.0 million), being the amount of compensation for demolishing certain commercial buildings located in the Aggregate CM Land owned by QHPF in 2016) and (ii) another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land to be transferred to the Group.

Debt Confirmation

For the purpose of determining the amount payable to each Land Holding Company, on 24 December 2018, A2 Company entered into the Debt Confirmation Letter pursuant to which A2 Company agrees that it will pay to each of the Land Holding Companies an amount that is equal to the value of the New Land multiplied by the corresponding proportion of land interest each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land).

The amount payable to each Land Holding Company is calculated based on the proportionate value each Land Holding Company is entitled to under the value of the Aggregate CM Land (excluding the Exchange Land) following the Reclassification (as appraised by the QH Property Valuer as at 1 January 2015, using the formula set out in the paragraph headed "*(II) THE LAND RESTRUCTURING AGREEMENT — Consideration*"). The proportionate value each Land Holding Company is entitled to was derived by the Valuation Consultation Report with reference to the value of the land each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land) before the Reclassification.

On 11 January 2019, the Land Holding Companies as creditors entered into the Debt Confirmation Agreement with A2 Company. Under the Debt Confirmation Agreement, the parties agree that A2 Company will pay the Land Holding Companies a total amount of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion). In particular, the parties agree that A2 Company will pay Antongjie and Ansujie debt amounts of RMB4,532,489,509 (equivalent to approximately HK$5,174,074,782) and RMB1,160,811,062 (equivalent to approximately HK$1,325,126,783), that is 10.4894% and 2.6864% (an aggregate of 13.1758%) respectively of the total amount that A2 Company will pay to the Land Holding Companies.

Debt Assignment

On 28 July 2016, in preparation of the future transactions to be conducted in relation to the Aggregate CM Land, A1 Company was established and held by Antongjie, CMLH and CMSK as to 14%, 3.5% and 82.5%, respectively. CMLH later transferred its interests in A1 Company to CMSA. The shareholding was determined based on a preliminary estimation of the proportion of land interests each party owns under the Aggregate CM Land. As at 11 January 2019, A1 Company was held by Antongjie, CMSA and CMSK as to 14%, 3.5% and 82.5%, respectively. However, on 11 January 2019, Antongjie entered into an Equity Transfer Agreement with Ansujie pursuant to which Antongjie agrees to transfer 2.6864% of the total registered capital of A1 Company to Ansujie. Concurrently, CMSA and the CMSK Group entered into the other Equity Transfer Agreements pursuant to which CMSA transferred 0.6134% of the total registered capital of A1 Company to CMSK and CMSK transferred various interests in A1 Company to the CMSK Subsidiaries. Accordingly, upon the completion of the Equity Transfer Agreements, A1 Company, the direct holding company of A2 Company, will be held by the Land Holding Companies as to 14% by Antongjie and Ansujie in aggregate, 2.8866% by CMSA and 83.1134% by CMSK and the CMSK Subsidiaries.

A2 Company intends to repay the debt owed to the Land Holding Companies described above with a proposed capital injection from A1 Company which will be funded by the First Capital Increase from the Land Holding Companies pro rata to the corresponding interests each Land Holding Company holds in A1 Company pursuant to the Capital Increase Agreement, details of which are set out in the paragraph headed "*(V) CAPITAL INCREASE AGREEMENT*" below. As a result, the "round-trip" funding to be made by the Land Holding Companies to repay A2 Company's debt will achieve a net effect that is equivalent to a debt-to-equity conversion. The above debt structure followed by a "round-trip" funding repayment structure were adopted in order to reduce the capital gains tax that will otherwise be payable by the Land Holding Companies given the difference in value between the New Land and the Aggregate CM Land (excluding the Exchange Land).

Although A2 Company owes Antongjie and Ansujie an aggregate of 13.1758% of the total debt owed to the Land Holding Companies according to the Debt Confirmation Agreement, Antongjie and Ansujie together hold 14% of A1 Company upon completion of the Equity Transfer Agreements. In order to align the proportion of debt A2 Company owes to Antongjie and Ansujie in aggregate out of the total amount of debt A2 Company owes to the Land Holding Companies with the proportion of equity interests Antongjie and Ansujie hold in aggregate in A1 Company so that the First Capital Increase to be contributed by Antongjie and Ansujie will be equivalent to the debt A2 Company owes to Antongjie and Ansujie, Antongjie entered into the Debt Assignment Agreement on 11 January 2019 with CMSA and A2 Company pursuant to which CMSA agreed to assign and Antongjie agreed to receive the right to recover a debt of RMB356,137,574 (equivalent to approximately HK$406,549,742) owed to CMSA by A2 Company (being the shortfall between the proportion of debt A2 Company owes to Antongjie and Ansujie in aggregate out of the total amount of debt A2 Company owes to the Land Holding Companies and the proportion of interests Antongjie and Ansujie hold in aggregate in A1 Company) for a consideration of RMB356,137,574 (equivalent to approximately HK$406,549,742).

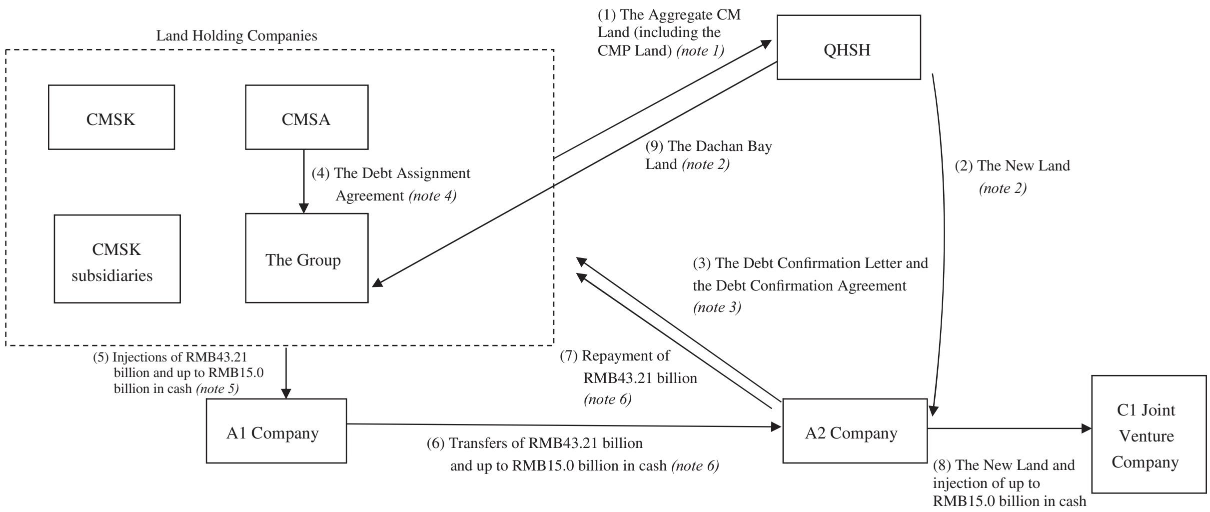
Capital Increase

As disclosed above, A2 Company intends to repay the debt owed to the Land Holding Companies with the proposed capital injection from A1 Company which will be funded by the First Capital Increase.

Further, it is proposed that A1 Company and B1 Company will jointly form C1 Joint Venture Company in the PRC for the purpose of jointly developing the Qianhai-Shekou Free Trade Zone. The registered capital of C1 Joint Venture Company will be contributed by A1 Company and B1 Company on a 50:50 basis, of which the capital contribution by A1 Company will comprise 100% of the equity interest of A2 Company and up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) in cash and the capital contribution by B1 Company will be 100% of the equity interest of B2 Company. The cash contribution to be made by A1 Company is therefore the difference between the value of B2 Company (which holds the QH Land) and the value of A2 Company (which holds the New Land). A1 Company intends to fund the cash portion of the capital contribution in C1 Joint Venture Company with the Second Capital Increase from the Land Holding Companies pro rata to the corresponding interests each Land Holding Company holds in A1 Company.

Accordingly, on 11 January 2019, the Land Holding Companies entered into the Capital Increase Agreement with A1 Company to set out the terms of the First Capital Increase and the Second Capital Increase.

Set out below is a roadmap of the Transactions:



Notes:

1. Pursuant to the Land Restructuring Agreement, the Land Holding Companies agree that the Aggregate CM Land to be disposed to QHSH.

2. Pursuant to the Land Restructuring Agreement, the New Land, after the Reclassification, shall be granted to A2 Company. In addition to the New Land to be granted to A2 Company, pursuant to the Land Restructuring Agreement, another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land will be transferred to the Group. The exact location of the Dachan Bay Land and the transfer arrangement is subject to further agreement among SZPL, CMG, Antongjie and Ansujie.

3. The Land Holding Companies and A2 Company entered into the Debt Confirmation Agreement to confirm the debt payable to each of the Land Holding Companies. Accordingly, A2 Company owes Antongjie and Ansujie debt amounted of approximately RMB4,532.5 million (equivalent to approximately HK$5,174.1 million) and RMB1,160.8 million (equivalent to approximately HK$1,325.1 million) respectively.

4. In order to align the proportion of debt A2 Company owes to Antongjie and Ansujie with the proportion of equity interests Antongjie and Ansujie hold in aggregate in A1 Company, Antongjie entered into the Debt Assignment Agreement with CMSA pursuant to which CMSA agreed to assign and Antongjie agreed to receive the right to recover a debt of approximately RMB356.1 million (equivalent to approximately HK$406.5 million) for a consideration of approximately RMB356.1 million (equivalent to approximately HK$406.5 million).

5. Pursuant to the Capital Increase Agreement, the Group will contribute approximately RMB6,049.4 million (equivalent to approximately HK$6,905.7 million) for injection to A1 Company for the First Capital Increase and the Group will contribute up to approximately RMB2.1 billion (equivalent to approximately HK$2.4 billion) for injection to A1 Company for the Second Capital Increase.

6. Upon receipt of the RMB43.21 billion (equivalent to approximately HK$49.3 billion) cash for injection by the Land Holding Companies pursuant to the Capital Increase Agreement, A1 Company shall transfer the proceeds to A2 Company to repay the debt pursuant to the Debt Confirmation Agreement.

(II) LAND RESTRUCTURING AGREEMENT

Date

24 December 2018

Parties

(1) SZPL

(2) QHSH

(3) CMG

(4) Land Holding Companies (including Antongjie, Ansujie, CMSK, CMSA and CMSK Subsidiaries)

(5) A2 Company

Subject Matter

Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree the Aggregate CM Land to be disposed to QHSH.

Prior to the Reclassification, the Aggregate CM Land made up of various land held by the Land Holding Companies in Qianhai, Shenzhen, with an aggregate land area of approximately 2,911,000 sq.m. (including the CMP Land which forms part of the Aggregate CM Land), mainly designated for port, port-related, industrial and logistics usage.

After the Reclassification, the Aggregate CM Land would be reclassified for commercial and office composite usage for the purpose of future development by C1 Joint Venture Company.

As a result of the Reclassification, the value of the Aggregate CM Land (excluding the Exchange Land) will be increased from approximately RMB13.0 billion (equivalent to approximately HK$14.8 billion) to RMB92.53 billion (equivalent to approximately HK$105.6 billion) (as determined using the value appraised by the QH Property Valuer).

Consideration

In consideration of the disposal of the Aggregate CM Land under the Land Restructuring Agreement, the parties have agreed that the following compensation shall be payable to the Land Holding Companies by QHSH:

(i) with respect to the Aggregate CM Land (excluding the Exchange Land), the parties agreed that the New Land (being new land after the Reclassification with an area of approximately 425,300 sq.m. and a value of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion)) will be granted by QHSH to A2 Company, a wholly-owned subsidiary of A1 Company; and

(ii) in addition to the New Land, another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land will be transferred to the Group. The exact location of the Dachan Bay Land and the transfer arrangement is subject to further agreement between SZPL, CMG, Antongjie and Ansujie.

The value of the New Land of RMB43.21 billion (equivalent to approximately HK$49.3 billion) mentioned in paragraph (i) is the summation of the original value of the Aggregate CM Land (excluding the Exchange Land) of approximately RMB13.0 billion (equivalent to approximately HK$14.8 billion) and an agreed portion of land appreciation value which the parties agreed the Land Holding Companies will enjoy and such portion is calculated based on the following formula:

$$Z = ((A - B) \times (1\text{-}5\%) \times 40\%) - C$$

where:

"Z" is the agreed portion of land appreciation value to be enjoyed by the Land Holding Companies;

"A" is the value of the Aggregate CM Land (excluding the Exchange Land) following the Reclassification, being approximately RMB92.53 billion (equivalent to approximately HK$105.6);

"B" is the original value of the Aggregate CM Land (excluding the Exchange Land) of approximately RMB13.0 billion (equivalent to approximately HK$14.8 billion); and

"C" is an amount of approximately RMB14.91 million (equivalent to approximately HK$17.0 million), being the amount of compensation previously paid by QHSH to QHPF (a CMSK Subsidiary) for demolishing certain commercial buildings located in the Aggregate CM Land owned by QHPF in 2016.

The compensation is negotiated and agreed by the parties on an arm's length basis. In particular: (i) the original value of the Aggregate CM Land (excluding the Exchange Land) was determined using the average of the values appraised by the QH Property Valuer and the CM Property Valuer, calculated based on the value of the Aggregate CM Land (excluding the Exchange Land) as at 1 January 2015;

(ii) the value of the Aggregate CM Land (excluding the Exchange Land) following the Reclassification was determined using the value appraised by the QH Property Valuer; (iii) the formula for calculating the agreed portion of land appreciation value which the parties agreed the Land Holding Companies will enjoy has taken into account the mandatory 5% deduction to the appreciation value for government expenses; and (iv) the entitlement to 40% of the remainder appreciation value was agreed with SZPL based on arm's length negotiations.

Conditions Precedent

The Land Restructuring Agreement is conditional on the satisfaction of, among others, the obtaining of the necessary authority approvals and shareholders' approvals as required by the relevant laws and listing rules within six months from the date of the Land Restructuring Agreement.

(III) DEBT CONFIRMATION LETTER AND DEBT CONFIRMATION AGREEMENT

Under the Land Restructuring Agreement, the parties agree that any indebtedness between the Land Holding Companies and A2 Company arising from the transactions contemplated under the Land Restructuring Agreement shall be subject to further negotiation between the Land Holding Companies and A2 Company.

Accordingly, on 24 December 2018, A2 Company entered into the Debt Confirmation Letter pursuant to which A2 Company agrees that it will pay to each of the Land Holding Companies an amount that is equal to the value of the New Land multiplied by the corresponding proportion of land interest each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land).

The amount payable to each Land Holding Company will be subject to the valuation of the corresponding proportion of land interest each Land Holding Company holds in accordance with the Valuation Consultation Report. With reference to the value of the land each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land) before the Reclassification, the Valuation Consultation Report derives the proportionate value each Land Holding Company is entitled to under the value of the Aggregate CM Land (excluding the Exchange Land) following the Reclassification (as appraised by the QH Property Valuer as at 1 January 2015). Such proportionate value each Land Holding Company is entitled to is then used to calculate the proportion of debt owed by A2 Company to each Land Holding Company under the value of the New Land using the formula set out in the paragraph headed "*(II) THE LAND RESTRUCTURING AGREEMENT — Consideration*".

As the Valuation Consultation Report was finalised on 10 January 2019, the Land Holding Companies (including Antongjie, Ansujie, CMSK, CMSA and CMSK Subsidiaries) as creditors entered into the Debt Confirmation Agreement with A2 Company as debtor on 11 January 2019 to confirm the debt payable to each Land Holding Company.

The key terms of the Debt Confirmation Agreement are set out below:

Debt Confirmation Agreement

Date

11 January 2019

Parties

(1) The Land Holding Companies, including Antongjie, Ansujie, CMSK, CMSA and CMSK Subsidiaries (as creditors)

(2) A2 Company (as debtor)

Subject matter

Pursuant to the Debt Confirmation Agreement, the parties agree that A2 Company owes the Land Holding Companies a total amount of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion). According to the Valuation Consultation Report, the value of the corresponding proportion of land interest Antongjie and Ansujie holds under the Aggregate CM Land is 10.4894% and 2.6864% of the value of the New Land, respectively.

Accordingly, the parties agree that A2 Company owes Antongjie and Ansujie debt amounts of RMB4,532,489,509 (equivalent to approximately HK$5,174,074,782) and RMB 1,160,811,062 (equivalent to approximately HK$1,325,126,783), respectively.

A2 Company agrees to repay each of the Land Holding Companies the respective debt amount within 120 business days after all the conditions precedent are satisfied.

Conditions Precedent

The completion of the Debt Confirmation Agreement is conditional on the satisfaction of, among others, the following:

(1) the obtaining of necessary authorisations and approvals; and

(2) the signing and entering into force of the land transfer agreement between A2 Company and QHSH pursuant to which QHSH agrees to grant the New Land to A2 Company after the Reclassification.

(IV) DEBT ASSIGNMENT AGREEMENT

Date

11 January 2019

Parties

(1) Antongjie (as assignee)

(2) CMSA (as assignor)

(3) A2 Company (as debtor)

Subject Matter

CMSA agreed to assign to Antongjie and Antongjie agreed to receive the right to recover the Assigned Debt from A2 Company.

Consideration

Antongjie agreed to pay a consideration of RMB356,137,574 (equivalent to approximately HK$406,549,742) on a dollar-to-dollar basis for the assignment of the Assigned Debt. The consideration was negotiated on an arm's length basis with reference to the principal amount of debt to be assigned by CMSA to Antongjie. The consideration to be paid by Antongjie will be in cash and will be funded by internal resources of the Group.

Conditions Precedent

The completion of the Debt Assignment Agreement from CMSA to Antongjie is conditional upon the satisfaction of, among others, the following:

(1) the obtaining of the necessary authority approvals and Shareholders' approvals as required by the relevant laws and listing rules; and

(2) the Debt Confirmation Agreement being effective.

Completion

All parties agree that completion will take place when all the conditions precedent are satisfied and CMSA has paid all taxes payable in accordance with the laws and regulations of the PRC. Upon completion of the Debt Assignment Agreement, A2 Company will owe Antongjie the Assigned Debt and Antongjie will hold all the rights associated with the Assigned Debt.

(V) CAPITAL INCREASE AGREEMENT

Date

11 January 2019

Parties

(1) The Land Holding Companies, including Antongjie, Ansujie, CMSA, CMSK and the CMSK Subsidiaries (as shareholders)

(2) A1 Company (as company)

The First Capital Increase

Pursuant to the Capital Increase Agreement, the Land Holding Companies agreed to inject a total of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) in cash for the First Capital Increase in A1 Company, of which Antongjie will contribute 11.3136% (i.e. RMB4,888,616,906, equivalent to approximately HK$5,580,612,906), Ansujie will contribute 2.6864% (i.e. RMB1,160,795,897, equivalent to approximately HK$1,325,109,471), CMSA will contribute 2.8866% (i.e. RMB1,247,302,500, equivalent to approximately HK$1,423,861,301) and CMSK and the CMSK Subsidiaries will contribute a total of 83.1134% (i.e. RMB35,913,376,146, equivalent to approximately HK$40,997,004,733). All capital injection in A1 Company will be made in cash. The First Capital Increase is intended to fund the proposed capital injection by A1 Company for the repayment of debt owed by A2 Company to the Land Holding Companies.

The Second Capital Increase

Pursuant to the Capital Increase Agreement, the Land Holding Companies further agreed to, within 6 months from the satisfaction of the conditions precedent, inject a total of up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) in cash for the Second Capital Increase in A1 Company to fund the contribution in C1 Joint Venture Company, of which Antongjie and Ansujie will inject a total of up to RMB2.1 billion (equivalent to approximately HK$2.4 billion). The capital contribution made up of the equity interest of A2 Company and cash will not exceed the capital contribution by B1 Company which will be 100% of the equity interest in B2 Company. The cash contribution to be made by A1 Company is therefore the difference between the value of B2 Company (which holds the QH Land) and the value of A2 Company (which holds the New Land). The Land Holding Companies and A1 Company agree to enter into a subsequent capital increase agreement, the principal terms of which shall be consistent with that of the Capital Increase Agreement, to confirm the final amount of capital injection to be made by each Land Holding Company in A1 Company. All capital injection in A1 Company will be made in cash. The Second Capital Increase is intended to fund the cash injection to be made by A1 Company as part of the capital contribution in C1 Joint Venture Company.

The terms of the Capital Increase Agreement were determined after arm's length negotiations between the parties.

The capital injection to be made by each Land Holding Company under the First Capital Increase was determined with reference to the debt owed by A2 Company to each Land Holding Company pursuant to the Debt Confirmation Agreement and the Debt Assignment Agreement.

The maximum capital injection to be made by the Land Holding Companies was determined with reference to estimated values of the New Land and the QH Land. The final capital injection to be made by each Land Holding Company is subject to the appraised values of the equity interest in A2 Company and the equity interest in B2 Company to be determined by valuer. In the event that the actual capital injection required by A1 Company exceeds RMB15.0 billion (equivalent to approximately HK$17.1 billion) and the Group is requested to provide additional funding to A1 Company, the Company will obtain separate shareholders' approval in this regard.

Both First Capital Increase and Second Capital Increase to be made by Antongjie and Ansujie will be funded by internal resources of the Group.

Conditions Precedent

The Capital Increase Agreement is conditional upon the satisfaction of, among others, the obtaining of the necessary Shareholders' approval.

Completion

The Land Holding Companies agreed to contribute their respective capital under the First Capital Increase within 30 business days of the satisfaction of the conditions precedent.

Upon completion of the First Capital Increase and the Second Capital Increase, the equity interest of A1 Company will be held by the Land Holding Companies as to 11.3136% by Antongjie, 2.6864% by Ansujie, 2.8866% by CMSA, 83.1134% by CMSK and the CMSK Subsidiaries. As such, the proportion in A1 Company held by each Land Holding Company will be the same before and after the First Capital Increase and Second Capital Increase. For the avoidance of doubt, A1 Company will remain as a non-wholly-owned subsidiary of CMSK.

(VI) INFORMATION IN RELATION TO THE CMP LAND

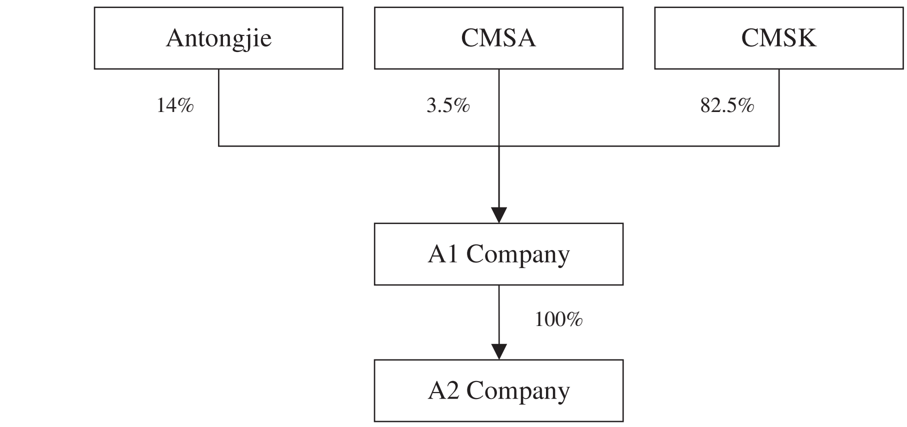
The CMP Land to be disposed by the Group as a result of the Land Restructuring Agreement are two pieces of land in Qianhai, Shenzhen, the PRC held by Antongjie and Ansujie with an aggregate land area of 965,958.41 sq.m. plus interest in land with an aggregate area of 36,202.90 sq.m. which Antongjie has previously acquired from CMSK but which has yet to obtain the relevant land use rights certificate. The CMP Land was acquired by the Group at an aggregate cost of RMB1,772.3 million (equivalent to approximately HK$2,023.2 million). The CMP Land forms part of the Aggregate CM Land.

(VII) FINANCIAL INFORMATION AND BACKGROUND OF A1 COMPANY

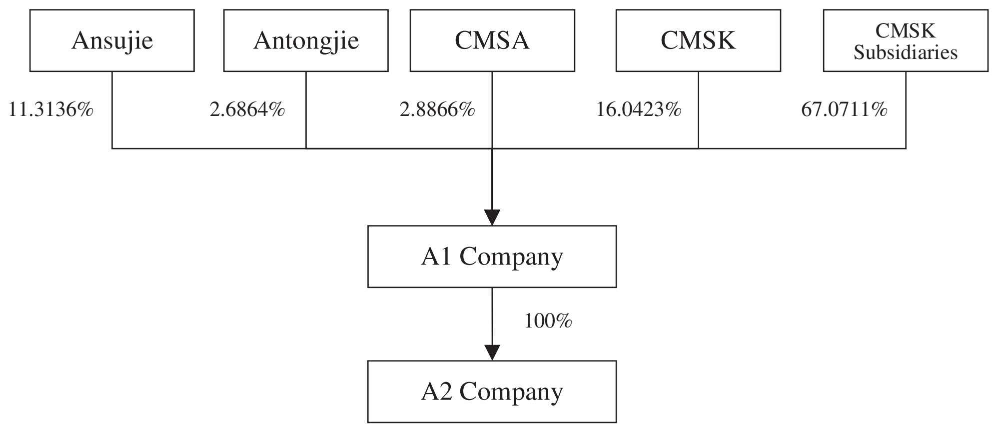
A1 Company is established in the PRC with a registered capital of RMB520,000,000 (equivalent to approximately HK$593,607,306) and the equity interest of A1 Company is owned by the Land Holding Companies as to 11.3136% by Antongjie, 2.6864% by Ansujie, 2.8866% by CMSA, 83.1134% by CMSK and the CMSK Subsidiaries upon completion of the Equity Transfer Agreements.

Upon the completion of the First Capital Increase, A1 Company will have a registered capital of RMB20,000,000,000 (equivalent to approximately HK$22,831,050,228).

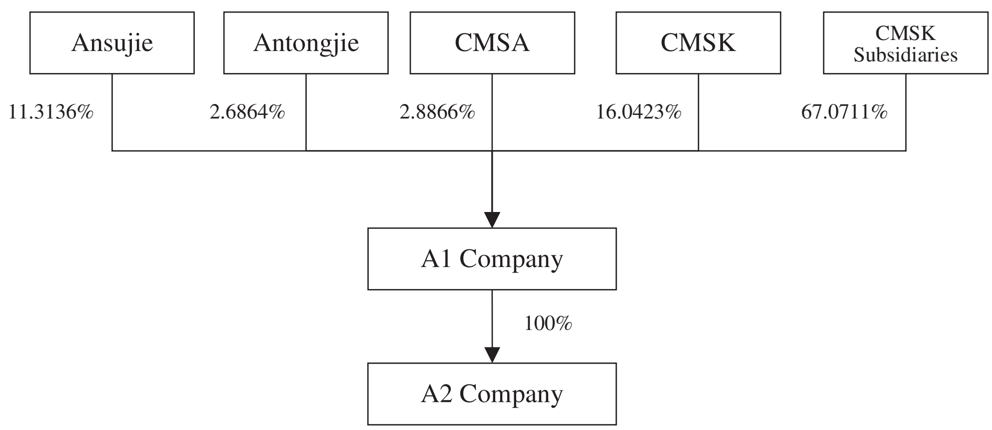
(1) As at 11 January 2019



(2) Upon completion of the Equity Transfer Agreements



(3) Upon completion of the First Capital Increase and Second Capital Increase



A1 Company is principally engaged in investment holding and is the holding company of A2 Company.

Based on the unaudited consolidated financial statements of A1 Company prepared in accordance with the China Accounting Standards for Business Enterprises, the total assets of A1 Company and net assets value attributable to the shareholders of A1 Company as at 30 September 2018 amounted to approximately RMB520.0 million (equivalent to approximately HK$593.6 million) and RMB520.0 million (equivalent to approximately HK$593.6 million), respectively.

The net profits (both before and after taxation) for the two financial years ended 31 December 2016, 2017 based on the audited consolidated financial statements of A1 Company and the nine months ended 30 September 2018 based on the unaudited consolidated financial statements of A1 Company, both prepared in accordance with the China Accounting Standards for Business Enterprises are as follows:

	Year ended 31 December 2016 *(Audited)* *(RMB)*	**Year ended 31 December 2017** *(Audited)* *(RMB)*	**Nine months ended 30 September 2018** *(Unaudited)* *(RMB)*
Profit/(loss) before taxation	(20,287) (equivalent to approximately (HK$23,159))	27,221 (equivalent to approximately HK$31,074)	(6,896) (equivalent to approximately (HK$7,872))
Profit/(loss) after taxation	(20,287) (equivalent to approximately (HK$23,159))	25,488 (equivalent to approximately HK$29,095)	(8,613) (equivalent to approximately (HK$9,832))

(VIII) INFORMATION ON THE PARTIES

Information on Antongjie and Ansujie

Antongjie is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. Its principal business is holding certain pieces of land in Shekou, the PRC.

Ansujie is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. Its principal business is holding certain pieces of land in Shekou, the PRC.

Information on the CMSA, CMSK and the CMSK Subsidiaries

CMSA is a company incorporated in the PRC and a wholly-owned subsidiary of CMG, the ultimate holding company of the Company. According to the business licence of CMSA, its business scope includes investment in industrial development, investment management, commercial information consulting, own property leasing, computer software and system technology development, integration, technical consulting services, computer hardware sales, data processing and database technology service, real estate development and management on land legally acquired.

CMSK is a company incorporated in the PRC and a subsidiary of CMG, the ultimate holding company of the Company. According to the business license of CMSK, its business scope includes investment, development and operation of city and community, transportation and industrial manufacturing.

The CMSK Subsidiaries are subsidiaries of CMSK and in turn subsidiaries of CMG, the ultimate holding company of the Company. The CMSK Subsidiaries hold certain pieces of land in Shekou, the PRC and are principally engaged in development and management of industrial parks and automobile-related trading and leasing activities.

Information on A2 Company

A2 Company is a company incorporated in the PRC and is principally engaged in investment holding. It is wholly-owned by A1 Company.

Information on CMG

CMG is a company incorporated in the PRC and the ultimate holding company of the Company. CMG is a leading state-owned enterprise with three business platforms of non-financial industries, financial services, investment and capital operation. CMG's non-financial industries cover ports, toll roads, shipping, logistics, real estate, zone development, offshore engineering and trade.

Information on QHPF

QHPF is a subsidiary of CMSK and in turn a subsidiary of CMG, the ultimate holding company of the Company and is principally engaged in development, management and supporting services of automobile industrial park, operation and management of automobile exhibitions, automobile trading, real estate development, and property leasing.

Information on SZPL

SZPL is a commission established under the government of the PRC and principally engaged in the urban planning and land management of Shenzhen, the PRC.

Information on QHSH

QHSH is an authority established under the government of the PRC and principally engaged in managing the development of Qianhai, Shenzhen, the PRC.

To the best of the Directors' knowledge, information and belief having made all enquiries, each of SZPL and QHSH and each of their respective beneficial owners are third parties independent of the Company and the connected persons of the Company.

(IX) REASONS FOR THE TRANSACTIONS

The principal business of the Group is port and port-related business. As disclosed in the announcement made by the Company dated 28 July 2016, in order to seize the opportunities offered by the establishment of the Qianhai-Shekou Free Trade Zone, the Group has decided to jointly develop the Qianhai-Shekou Free Trade Zone with other state-owned enterprises which will allow the Group to indirectly participate in the general development of the Qianhai-Shekou Free Trade Zone.

As the Group has certain interest in land in the Qianhai-Shekou Free Trade Zone (which is currently classified for port and port-related usage), the participation of the Group in the overall development in such area will benefit the long-term development of the Group. In particular, in consideration of the disposal of the Aggregate CM Land by the Land Holding Companies to QHSH, QHSH will transfer the New Land (which is a part of the Aggregate CM Land strategically located in Qianhai, Shenzhen) to A2 Company at a substantially enhanced value as compared with the value of the Aggregate CM Land prior to the Reclassification, bringing significant economic benefits to the Group. The transaction will also allow the Group to indirectly participate in the future development in the Qianhai-Shekou Free Trade Zone.

As disclosed above, the disposal of the Aggregate CM Land and Reclassification were part of the PRC government's policy to redevelop Qianhai, Shenzhen into a business zone. To align with such redevelopment, the Land Holding Companies were required by QHSH to suspend development over the Aggregate CM Land for port, port-related, logistic and industrial purposes since 2010. Due to such government policy, the CMP Land is currently not generating revenue for the Group and unable to be developed for port or port-related usage. CMG, on behalf the Land Holding Companies, began negotiations with QHSH to determine the compensation payable by QHSH to the Land Holding Companies as a result of the disposal of the Aggregate CM Land and the Reclassification. QHSH agreed the Land Holding Companies could enjoy approximately 40% of the increased value of the Aggregate CM Land which is unprecedented as historically, for similar transactions where QHSH would resume land owned by other companies for redevelopment, QHSH would only pay compensation based on the original value of the resumed land prior to reclassification.

The key terms to restructure the Aggregate CM Land negotiated among CMG, QHSH and SZPL had been agreed in 2015 and as a result the parties agreed that values of the Aggregate CM Land (excluding the Exchange Land) before and after the Reclassification were determined with reference to their values as at 1 January 2015. However, due to protracted negotiations among the parties to finalise the terms under the Land Restructuring Agreement, the Land Restructuring Agreement was only entered into among the relevant parties in late 2018. Based on the information provided by the Independent Property Valuer, the Company understands that since 1 January 2015, the value of the Aggregate CM Land (excluding the Exchange Land) has appreciated yet the land interest held by the Group (excluding the Exchange Land) has appreciated at a slower rate than the rest of the Aggregate CM Land. In particular, the original land usage designated to the CMP Land (excluding the Exchange Land) was port usage while the original land usage designated to the rest of the Aggregate CM Land (excluding the Exchange Land) was logistic and industrial usage which has a higher rate of appreciation. Since A2 Company agreed that it will pay to the Group a proportioned value of the New Land corresponding to the value of the proportion of land interest the Group holds (excluding the Exchange Land) under the Aggregate CM Land (excluding the Exchange Land), the proportion of debt payable to the Group by A2 Company pursuant to the Debt Confirmation Agreement will be larger if the respective values are determined with the reference date of 1 January 2015 rather than of a later date. In particular, although the value of the New Land as agreed under the Land Restructuring Agreement is RMB43.21 billion, based on the property valuation report from the Independent Property Valuer, the current value of the New Land has already appreciated to approximately RMB53.5 billion (equivalent to approximately HK$61.1 billion) as at 31 December 2018, and therefore provides further financial upside to the Group.

As disclosed in the paragraph headed "*(II) LAND RESTRUCTURING AGREEMENT — Consideration*", Dachan Bay Land will be transferred to the Group by SZPL in exchange for the disposal of the Exchange Land. Since Dachan Bay Land, which is located in close proximity of a linear distance of approximately 1 kilometre away from, and will have the same area and corresponding coastal length equivalent to, the Exchange Land, the Group can develop the Dachan Bay Land for port and port related business, which is the principal business of the Group. The Group further understands from CMG that going forward A1 Company will cooperate with B1 Company through the establishment of C1 Joint Venture Company to further develop the land in the Qianhai-Shekou Free Trade Zone and in turn will generate future investment returns for the Group. Therefore, the Group is of the view that the Transactions will allow the Company to own interest in the Dachan Bay Land and to enjoy economic benefits from the Reclassification which together contribute a value that is significantly higher than the value of the CMP Land which was originally acquired by the Group at an aggregate cost of RMB1,772.3 million (equivalent to approximately HK$2,023.2 million).

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Transactions are in the interest of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Transactions have been determined through arm's length negotiation between the parties and are on normal commercial terms. The terms of the Transactions are fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole. The views of the independent non-executive Directors, after considering the advice from the Independent Financial Adviser, are set out in the circular headed "*Letter from the Independent Board Committee*".

None of the Directors have a material interest in the Transactions nor are they required to abstain from voting on the relevant board resolutions.

(X) FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE TRANSACTIONS

Financial Effects

Upon the Land Restructuring Agreement becoming effective, the Company will no longer have any interests in the CMP Land.

With respect to the Aggregate CM Land (excluding the Exchange Land), pursuant to the Debt Confirmation Agreement, the parties agree that A2 Company owes Antongjie and Ansujie debt amounts of RMB4,532,489,509 (equivalent to approximately HK$5,174,074,782) and RMB 1,160,811,062 (equivalent to approximately HK$1,325,126,783), respectively. The Group is expected to realise a gain (after-tax and attributable to shareholders) from the Disposal of approximately RMB3.15 billion (equivalent to approximately HK$3.60 billion) on a consolidated basis. The after-tax gain on the Disposal is calculated based (i) the difference between (a) the total amount of debt owned to Antongjie and Ansujie pursuant to the Debt Confirmation Agreement of approximately RMB5.69 billion (equivalent to approximately HK$6.5 billion) and (b) the net asset value of the CMP Land (excluding the Exchange Land) of RMB814.0 million (equivalent to approximately HK$929.2 million) and (ii) the relevant income tax rate of 25%. Upon completion of the Transactions, the Group shall, through its 14% equity interest in A1 Company, retain 14% effective interest in New Land. As such, 14% of the gain on disposal remains unrealised.

Pursuant to the Land Restructuring Agreement, with respect to the Exchange Land, the Group will receive the Dachan Bay Land which is expected to have a value equivalent to the Exchange Land. Accordingly, the Group will not record any gain from the receipt of the Dachan Bay Land. The final amount of the Group's expected gain from the Disposal is subject to the final valuation of the Dachan Bay Land.

Use of Proceeds

A2 Company intends to repay the debt owed to the Land Holding Companies with a proposed capital injection from A1 Company which will be funded by the First Capital Increase from the Land Holding Companies pro rata to the corresponding interests each Land Holding Company holds in A1 Company pursuant to the Capital Increase Agreement, details of which are set out in the paragraph headed "*2. (V) CAPITAL INCREASE AGREEMENT*" above. Accordingly, the "round-trip" funding to be made by the Land Holding Companies to repay A2 Company's debt will achieve a net effect that is equivalent to a debt-to-equity conversion. As a result, the Group will not receive any net proceeds from the Disposal.

The Group is expected to develop the Dachan Bay Land for port and port-related investments.

(XI) LISTING RULES IMPLICATONS

As CMSA, CMSK, CMSK Subsidiaries, A1 Company and A2 Company are subsidiaries of CMG, the ultimate holding company of the Company, they are therefore connected persons of the Company and the Transactions constitute connected transactions of the Company under the Listing Rules.

Upon the Land Restructuring Agreement becoming effective, the CMP Land will be resumed by QHSH in exchange for the Dachan Bay Land. In addition, the New Land will be granted to A2 Company and A2 Company will owe Antongjie and Ansujie an amount to be finalized pursuant to the Debt Confirmation Letter and the Debt Confirmation Agreement. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Land Restructuring Agreement, the Debt Confirmation Letter and the Debt Confirmation Agreement are more than 5% but less than 25%, these transactions together constitute a discloseable and connected transaction of the Company, and is subject to (1) the notification and announcement requirements under Chapter 14 of the Listing Rules and (2) the announcement, shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

The transactions contemplated under the Debt Assignment Agreement and the Capital Increase Agreement are related and therefore are treated as one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the said transactions are more than 5%

but less than 25%, these transactions together constitute a discloseable and connected transaction of the Company, and are subject to (1) the notification and announcement requirements under Chapter 14 of the Listing Rules and (2) the announcement, shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

3 RE-ELECTION OF MR. XIONG XIANLIANG

As at the Latest Practicable Date, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.

Mr. Xiong Xianliang was appointed as executive director of the Company with effect from 4 June 2018 to fill a casual vacancy of directorship. Therefore, pursuant to article 95 of the Articles of Association, Mr. Xiong Xianliang shall retire from office at the EGM and shall be eligible and offer himself for re-election.

Mr. Xiong Xianliang, aged 51, is the General Manager of the Strategy and Development Department and the Safety Supervision and Administration Department of China Merchants Group Limited. He graduated from Nankai University with a Master Degree and a Doctor Degree in Global Economics in July 1991 and January 1994, respectively. Prior to joining the Company, he was the Researcher and Director of the Development Research Centre of the State Council, the Deputy Head of the Chongqing Development and Planning Commission, the Deputy Head of the General Group of the Steering Committee Office of the Western Region Development of the State Council, the Inspector of the Research Office of the State Council, the General Manager of the Strategy and Research Department of China Merchants Group Limited, and the Non-executive Director of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. He is also currently the Non-Executive Director of China Merchants Securities Co. Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Mr. Xiong Xianliang's directorship with the Company is subject to retirement pursuant to the Articles of Association. Mr. Xiong Xianliang is an Executive Director of the Company. As at the Latest Practicable Date, Mr. Xiong Xianliang does not hold any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). There is no employment service contract between the Company and Mr. Xiong Xianliang. However, the Company has entered into an appointment letter with him in relation to his directorship with the Company for a term of three years commencing on 4 June 2018. Mr. Xiong Xianliang has not received and is not entitled to any Directors' fee.

Save as disclosed above, the Board is not aware of any other matters relating to the appointment of Mr. Xiong Xianliang as Executive Director of the Company that need to be brought to the attention of the shareholders of the Company and there is no other information in relation to his re-election which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

The Directors believe that the proposal for the re-election of Mr. Xiong Xianliang is in the best interest of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

4 EGM

The EGM will be held at Island Ballroom, Level 5, Island Shangri-La, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:30 a.m. on Monday, 25 February 2019. At the EGM, ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Transactions and the re-election of Mr. Xiong Xianliang as executive director of the Company. In accordance with the Listing Rules, CMG which is interested in approximately 62% shares in the Company as at the Latest Practicable Date, and its associates are required to abstain from voting on the ordinary resolutions approving the Transactions at the EGM.

To ascertain the Shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 20 February 2019 to 25 February 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars. Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 19 February 2019.

5 RECOMMENDATION

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions. Somerley considers that the entering into of the Transactions is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Somerley advises the Independent Board Committee, as well as the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transactions.

Having considered the advice from Somerley which are set out on pages 31 to 59 of this circular, the Independent Board Committee concurs with the views of Somerley and the Board and also considers that the entering into of the Transactions is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Transactions.

6 ADDITIONAL INFORMATION

Your attention is also drawn to the letter of the Independent Board Committee set out on pages 29 to 30 of this circular, the letter set out on pages 31 to 59 of this circular from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, and to the additional information set out in the appendix to this circular.

Yours faithfully
By Order of the Board
China Merchants Port Holdings Company Limited
Fu Gangfeng
Chairman

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

1 February 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
DISPOSAL OF VARIOUS LAND INTEREST IN QIANHAI AND RELATED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 1 February 2019 (the "**Circular**"), of which this letter forms part, issued by the Company to its Shareholders. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Transactions. The Independent Board Committee was set up to advise whether, in its view, the Transactions are in the interests of the Company and its Shareholders and is fair and reasonable and to recommend whether or not the Independent Shareholders should vote for the ordinary resolutions to be proposed at the EGM to approve the Transactions.

The terms of the Transactions are summarised in the "Letter from the Board" set out on pages 7 to 28 of the Circular. In addition, the Independent Board Committee has been advised by Somerley in considering the terms of the Transactions. You are strongly urged to read the letter from Somerley to the Independent Board Committee and the Independent Shareholders, which is set out on pages 31 to 59 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Transactions and the basis upon which their terms have been determined. We have also discussed with Somerley the basis upon which its advice has been given to us.

Taking into account the recommendations of Somerley, the Independent Board Committee considers that the entering into of the Transactions as described in the "Letter from the Board" in the Circular is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Transactions, as detailed in the notice of the EGM set out on pages EGM-1 to EGM-3 of the Circular.

Yours faithfully,
The Independent Board Committee

Mr. Bong Shu Ying Francis
Independent non-executive Director

Mr. Kut Ying Hay
Independent non-executive Director

Mr. Lee Yip Wah Peter
Independent non-executive Director

Mr. Li Kwok Heem John
Independent non-executive Director

Mr. Li Ka Fai David
Independent non-executive Director

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

1 February 2019

To: The Independent Board Committee and the Independent Shareholders of
China Merchants Port Holdings Company Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO DISPOSAL OF VARIOUS LAND INTEREST IN QIANHAI AND RELATED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Land Restructuring Agreement, the Debt Confirmation Agreement, the Debt Assignment Agreement, the Capital Increase Agreement (the "**Agreements**") and the Debt Confirmation Letter. Details of the transactions contemplated under the Agreements and the Debt Confirmation Letter (the "**Transactions**") are set out in the circular issued by the Company to the Shareholders dated 1 February 2019 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree to dispose the Aggregate CM Land (including the CMP Land) to QHSH in exchange for (i) the New Land to be granted to A2 Company; and (ii) another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land to be transferred to the Group.

Further, it is proposed that A1 Company and B1 Company will jointly form C1 Joint Venture Company in the PRC for the purpose of jointly developing the Qianhai-Shekou Free Trade Zone. The registered capital of C1 Joint Venture Company will be contributed by A1 Company and B1 Company on a 50:50 basis, of which the capital contribution by A1 Company will comprise 100% of the equity interest of A2 Company and up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) in cash and the capital contribution by B1 Company will be 100% of the equity interest of B2 Company.

In order to facilitate the Transactions, as well as to align the proportion of debt A2 Company owes to Antongjie and Ansujie in aggregate out of the total amount of debt A2 Company owes to the Land Holding Companies (as a result of the transactions contemplated under the Land Restructuring Agreement) with the proportion of equity interests Antongjie and Ansujie hold in aggregate in A1 Company, on 11 January 2019, Ansujie and Antongjie entered into (i) the Debt Confirmation Agreement with the other Land Holding Companies as creditors and A2 Company as debtor; (ii) the Debt Assignment Agreement with CMSA as the assignor and A2 Company as debtor; and (iii) the Capital Increase Agreement with the other Land Holding Companies and A1 Company in relation to the First Capital Increase and the Second Capital Increase in A1 Company.

Each of the Land Holding Companies (except for Antongjie and Ansujie), A1 Company and A2 Company is a subsidiary of CMG, the ultimate holding company of the Company. Accordingly, each of the Land Holding Companies (except for Antongjie and Ansujie), A1 Company and A2 Company is a connected person of the Company and the Transactions constitute connected transactions of the Company under the Listing Rules. The transactions contemplated under the Debt Confirmation Agreement are related to the Disposal arising from the Land Restructuring Agreement and the Debt Confirmation Letter and therefore are treated as one transaction with the Disposal. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Disposal and the Debt Confirmation Agreement are more than 5% but less than 25%, the said transactions constitute a discloseable and connected transaction of the Company. The transactions contemplated under the Debt Assignment Agreement and the Capital Increase Agreement are related, as a result they will be aggregated as if they were one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the said transactions as aggregated are more than 5% but less than 25%, the said transactions constitute a discloseable and connected transaction of the Company. Accordingly, the Transactions are subject to (1) the notification and announcement requirements under Chapter 14 of the Listing Rules; and (2) the announcement, shareholders' approval, circular and annual reporting requirements under Chapter 14A of the Listing Rules.

CMG is the ultimate holding company of the Company and is considered to have material interests in the Transactions. CMG, together with its associates, is required to abstain from voting on the resolution to be proposed at the EGM to approve the Transactions.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis, has been established to advise the Independent Shareholders in respect of the Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have, on two occasions acted as an independent financial adviser to the Company in relation to (i) disposal of entire interest in a A-share and H-share listed subsidiary (circular dated 2 May 2017); and (ii) disposal of entire interest in another A-share and B-share listed subsidiary and acquisition of a port in Newcastle in Australia (circular dated 1 March 2018). The past engagements were limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received normal professional fees relevant to this type of engagement. Accordingly, we do not consider the past engagements would affect our independence to act as the independent financial adviser to the Company under the current engagement.

We are not associated with the Company, the Land Holding Companies, A1 Company, A2 Company, QHSH, SZPL, CMG, B1 Company, B2 Company, C1 Joint Venture Company or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the above matters. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Land Holding Companies, A1 Company, A2 Company, QHPF, QHSH, SZPL, CMG, B1 Company, B2 Company, C1 Joint Venture Company or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**"), the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), the financial information of A1 Company, the property valuation report on the CMP Land and the New Land (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Property Valuer**"), the independent professional valuer appointed by the Company, and the information as set out in the Circular. We have also discussed with the management of the Group and the future prospects of the Group after completion of the Transactions. We have also discussed with the Independent Property Valuer the valuation of the CMP Land and the New Land. We have also performed site visit to the CMP Land and the New Land.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, the CMP Land, the New Land, A1 Company and A2 Company, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

1. Principal business activities of the Group

The Group is China's largest and a global port developer, investor and operator, with a ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean. The Group's core business includes primarily investing and operating ports and port-related activities based from a portfolio of assets located at the three economically most active delta regions along China's coast.

The Group has three operating segments, namely ports operation, bonded logistics operation and other operations. The ports operation is the major contributor to the Group's revenue and profits which includes container terminal operation, bulk and general cargo terminal operation in all major areas in mainland China, Hong Kong and Taiwan, and certain overseas locations including, among others, France, Turkey, Djibouti, Sri Lanka, Nigeria and Togo. The bonded logistics operation includes logistic park operation, ports transportation and airport cargo handling. The other operations mainly include property development and investment and construction of modular housing, property investment and corporate function.

Set out in the table below is a summary of the Group's financial performance for the six months ended 30 June 2018 and 2017 and the years ended 31 December 2017 and 2016 as extracted from the 2018 Interim Report and the 2017 Annual Report.

	For the six months ended 30 June		**For the year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Revenue	5,560	4,055	8,692	7,976
Cost of sales	(3,032)	(2,291)	(5,251)	(4,621)
Gross profit	2,528	1,764	3,441	3,355
Net other income and other gains	4,062	1,026	870	1,561
Administrative expenses	(777)	(530)	(1,170)	(1,019)
Operating profit	5,813	2,260	3,141	3,897
Net finance costs	(737)	(546)	(1,168)	(900)
Share of profit less losses of associates	1,644	1,861	5,087	3,389
Share of profit less losses of joint ventures	251	203	385	297
Profit before taxation	6,971	3,778	7,445	6,683
Taxation	(1,058)	(302)	(744)	(477)
Profit for the period / year	5,913	3,476	6,701	6,206
Profit attributable to the equity holders of the Company	5,448	3,148	6,028	5,494

For the year ended 31 December 2017, the revenue of the Group increased to approximately HK$8,692 million from approximately HK$7,976 million for the year ended 31 December 2016. The increase was mainly due to the improvement of core ports operation as a result of a rise in business volume. Profit attributable to the equity holders of the Company amounted to HK$6,028 million for the year ended 31 December 2017, up approximately 9.7% over the previous year. The Group disposed of its entire equity interest in China International Marine Containers (Group) Co., Ltd. during the year ended 31 December 2017 and recognised a disposal gain of approximately HK$813 million. The Group's container throughput increased by approximately 7.4% to approximately 102.9 million twenty-foot equivalent units ("**TEUs**") and bulk cargo volume handled went up by 10.3% to approximately 507 million tonnes for 2017. The enhancements were mainly attributable to the increase in cargos handled by the Group at the ports in the PRC.

For the six months ended 30 June 2018, the revenue of the Group recorded a year-on-year growth to approximately HK$5,560 million, representing an approximately 37.1% increase from approximately HK$4,055 million for the six months ended 30 June 2017. The improvement was mainly due to the rise of business volume attributable to newly acquired business projects and increase in business volume. During the six months ended 30 June 2018, the Group's ports handled a total container throughput of approximately 53.81 million TEUs, representing a year-on-year increase of approximately 7.3%. The bulk cargo volume handled by the ports of the Group during the six months ended 30 June 2018 was approximately 250 million tons, representing a year-on-year increase of approximately 0.6%.

Set out below is a summary of the financial position of the Group as at 30 June 2018, 31 December 2017 and 2016.

	As at 30 June	**As at 31 December**	
	2018	**2017**	**2016**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
ASSETS			
Non-current assets			
Property, plant and equipment	29,338	30,880	18,459
Interests in associates	44,690	43,314	43,020
Others	56,223	44,705	35,621
	130,251	118,899	97,100
Current assets			
Cash and bank balances	8,532	9,247	3,637
Others	5,346	3,805	2,376
	13,878	13,052	6,013
Total assets	144,129	131,951	103,113
EQUITY			
Capital and reserves attributable to the equity holders of the Company	75,873	73,447	65,908
Non-controlling interests	12,991	16,194	7,830
	88,864	89,641	73,738

	As at 30 June	As at 31 December	
	2018	2017	2016
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	23,148	22,292	17,072
Other non-current liabilities	5,895	1,851	1,186
Deferred tax liabilities	3,384	2,638	1,973
	32,427	26,781	20,231
Current liabilities			
Creditors and accruals	5,228	8,999	3,497
Bank and other borrowings	16,846	6,268	5,362
Taxation payable	764	262	285
	22,838	15,529	9,144
Total equity and liabilities	144,129	131,951	103,113
Net current liabilities	(8,960)	(2,477)	(3,131)

As at 30 June 2018, total assets of the Group were approximately HK$144,129 million, representing an increase of approximately 9.2% from that as at 31 December 2017, which was chiefly attributable to the acquisition of TCP Participações S.A. in Brazil during the six months ended 30 June 2018. The Group had a significant portion, around 31.0%, of its total assets as at 30 June 2018 represented by interests in associates, which mainly included Shanghai International Port (Group) Co., Ltd. and the port in Newcastle in Australia. Property, plant and equipment accounted for approximately 20.4% of the Group's total assets as at 30 June 2018, representing a decrease of approximately 5.0% from that as at 31 December 2017.

Net asset value ("**NAV**") attributable to the equity holders of the Company was approximately HK$75,873 million as at 30 June 2018, representing a slight increase of approximately 3.3% from that as at 31 December 2017. The enhancement in the NAV was mainly attributable to the profit derived from the core ports operation.

As at 30 June 2018, the Group's net current liability position deteriorated to approximately HK$8,960 million as compared with the net current liability position of approximately HK$2,477 million as at 31 December 2017, which was mainly due to the increase in unsecured short-term bank loans of HK$10,578 million.

2. Background and overview of the Transactions

In 2010, as part of the urban planning policy driven by the PRC government to redevelop Qianhai, Shenzhen into a business zone, the Land Holding Companies were required by the Shenzhen Government to suspend development over the Aggregate CM Land for port, port-related, logistic and industrial purposes. Since 2010, CMG, being the ultimate holding company of the Land Holding Companies, have been in discussion with the Shenzhen Government on behalf of the Land Holding Companies on the future development of the Aggregate CM Land after its original land usage be reclassified for commercial and office composite purposes.

It is currently expected that A1 Company (a wholly-owned subsidiary of the Land Holding Companies and the direct holding company of A2 Company) and B1 Company (a subsidiary of QHSH which is an authority established by the PRC government) will jointly establish a joint venture company known as C1 Joint Venture Company to develop the Aggregate CM Land after the Reclassification.

The Aggregate CM Land comprises various land interests located in Qianhai, Shenzhen, the PRC held by CMG through the Land Holding Companies with an aggregate land area of approximately 2,911,000 sq.m., which includes two pieces of land held by Antongjie and Ansujie (both being indirect wholly-owned subsidiaries of the Company) with an aggregate land area of 965,958.41 sq.m. plus interest in land with an aggregate area of 36,202.90 sq.m. which Antongjie has previously acquired from CMSK but has yet to obtain the relevant land rights certificate.

As a result of protracted negotiations among CMG, SZPL and QHSH, the Aggregate CM Land will be disposed to QHSH. As consideration payable by QHSH to the Land Holding Companies, among others, QHSH will transfer a portion of the Aggregate CM Land after the Reclassification (known as the New Land) with an enhanced value as compared with the value of the land prior to the Reclassification, to A2 Company (a company indirectly and wholly owned by the Land Holding Companies).

In order to facilitate the disposal of interests in the Aggregate CM Land between the Land Holding Companies, A1 Company, A2 Company, SZPL and QHSH, the parties entered into the following transactions.

(a) The Land Restructuring Agreement

On 24 December 2018, Ansujie and Antongjie entered into the Land Restructuring Agreement with SZPL, QHSH, CMG, the other Land Holding Companies and A2 Company to set out the terms of the disposal of the Aggregate CM Land to QHSH.

Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree to dispose the Aggregate CM Land (including the CMP Land) to QHSH. Upon the Land Restructuring Agreement becoming effective, Antongjie and Ansujie will cease to have any interest in the CMP Land.

The total consideration payable by QHSH to the Land Holding Companies for the transactions contemplated under the Land Restructuring Agreement will comprise (i) the New Land to be transferred to A2 Company (which has excluded compensation previously paid by QHSH to QHPF in an amount of approximately RMB14.91 million (equivalent to approximately HK$17.0 million), being the amount of compensation for demolishing certain commercial buildings located in the Aggregate CM Land owned by QHPF in 2016) and (ii) another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land to be transferred to the Group.

(b) The Debt Confirmation

For the purpose of determining the amount payable to each Land Holding Company, on 24 December 2018, A2 Company entered into the Debt Confirmation Letter pursuant to which A2 Company agrees that it will pay to each of the Land Holding Companies an amount that is equal to the value of the New Land multiplied by the corresponding proportion of land interest each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land).

The amount payable to each Land Holding Company is calculated based on the proportionate value each Land Holding Company is entitled to under the value of the Aggregate CM Land (excluding the Exchange Land) following the Reclassification (as appraised by the QH Property Valuer as at 1 January 2015, using the formula set out in the section headed "(II) The Land Restructuring Agreement" in the letter from the Board contained in the Circular. The proportionate value each Land Holding Company is entitled to was derived by the Valuation Consultation Report with reference to the value of the land each Land Holding Company holds under the Aggregate CM Land (excluding the Exchange Land) before the Reclassification.

On 11 January 2019, the Land Holding Companies as creditors entered into the Debt Confirmation Agreement with A2 Company. Under the Debt Confirmation Agreement, the parties agree that A2 Company will pay the Land Holding Companies a total amount of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion). In particular, the parties agree that A2 Company will pay Antongjie and Ansujie debt amounts of approximately RMB4,532.5 million (equivalent to approximately HK$5,174.1 million) and approximately RMB1,160.8 million (equivalent to approximately HK$1,325.1 million), that is 10.4894% and 2.6864% (an aggregate of 13.1758%) respectively of the total amount that A2 Company will pay to the Land Holding Companies.

(c) The Debt Assignment

On 28 July 2016, in preparation of the future transactions to be conducted in relation to the Aggregate CM Land, A1 Company was established and held by Antongjie, CMLH and CMSK as to 14%, 3.5% and 82.5% respectively. CMLH later transferred its interests in A1 Company to CMSA. The shareholding percentage was determined based on a preliminary estimation of the proportion of land interests each party owns under the Aggregate CM Land. As at 11 January 2019, A1 Company was held by Antongjie, CMSA and CMSK as to 14%, 3.5% and 82.5%, respectively. However, on 11 January 2019, Antongjie entered into an Equity Transfer Agreement with Ansujie pursuant to which Antongjie agrees to transfer 2.6864% of the total registered capital of A1 Company to Ansujie. Concurrently, CMSA and the CMSK Group entered into the other Equity Transfer Agreements pursuant to which CMSA transferred 0.6134% of the total registered capital of A1 Company to CMSK and CMSK transferred various interests in A1 Company to the CMSK Subsidiaries. Accordingly, upon the completion of the Equity Transfer Agreements, A1 Company, the direct holding company of A2 Company, will be held by the Land Holding Companies as to 14% by Antongjie and Ansujie in aggregate, 2.8866% by CMSA and 83.1134% by CMSK and the CMSK Subsidiaries.

A2 Company intends to repay the debt owed to the Land Holding Companies described above with a proposed capital injection from A1 Company which will be funded by the First Capital Increase from the Land Holding Companies pro rata to the corresponding interests each Land Holding Company holds in A1 Company pursuant to the Capital Increase Agreement, details of which are set out in the paragraph headed "(V) Capital Increase Agreement" in the letter from Board contained in the Circular. As a result, the "round-trip" funding to be made by the Land Holding Companies to repay A2 Company's debt will achieve a net effect that is equivalent to a debt-to-equity conversion. The above debt structure followed by a "round-trip" funding repayment structure were adopted in order to reduce the capital gains tax that will otherwise be payable by the Land Holding Companies given the difference in value between the New Land and the Aggregate CM Land (excluding the Exchange Land).

Although A2 Company owes Antongjie and Ansujie an aggregate of 13.1758% of the total debt owed to the Land Holding Companies according to the Debt Confirmation Agreement, Antongjie and Ansujie together hold 14% of A1 Company upon completion of the Equity Transfer Agreements. In order to align the proportion of debt A2 Company owes to Antongjie and Ansujie in aggregate out of the total amount of debt A2 Company owes to the Land Holding Companies with the proportion of equity interests Antongjie and Ansujie hold in aggregate in A1 Company so that the First Capital Increase to be contributed by Antongjie and Ansujie will be equivalent to the debt A2 Company owes to Antongjie and Ansujie, Antongjie entered into the Debt Assignment Agreement on 11 January 2019 with CMSA and A2 Company pursuant to which CMSA agreed to assign and Antongjie agreed to receive the right to recover a debt of approximately RMB356.1 million (equivalent to approximately HK$406.5 million) owed to CMSA by A2 Company (being the shortfall between the proportion of debt A2 Company owes to Antongjie and Ansujie in aggregate out of the total amount of debt A2 Company owes to the Land Holding Companies and the proportion of interests Antongjie and Ansujie hold in aggregate in A1 Company) for a consideration of approximately RMB356.1 million (equivalent to approximately HK$406.5 million).

(d) The Capital Increase

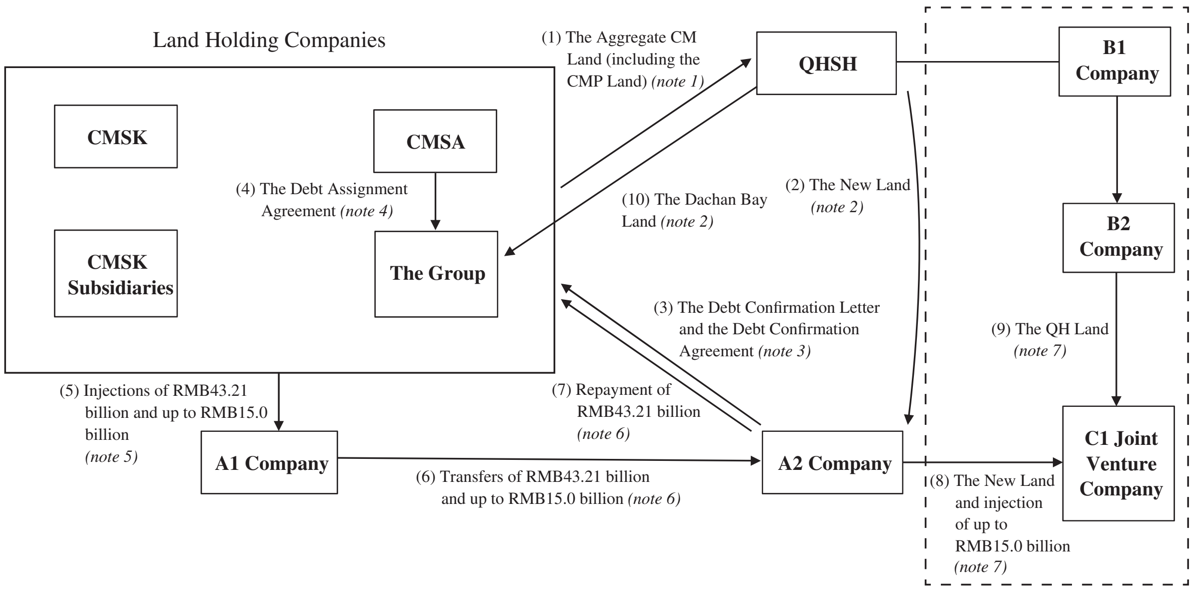
As disclosed above, A2 Company, the wholly-owned subsidiary of A1 Company, intends to repay the debt owed to the Land Holding Companies with the proposed capital injection from A1 Company which will be funded by the First Capital Increase. The repayment structure comprised, among other things, the Debt Confirmation, the Debt Assignment and the First Capital Increase as discussed above and was a "round-trip" funding repayment structure in order to reduce the capital gains tax that will otherwise be payable by the Land Holding Companies for the difference in value between the New Land and the Aggregate CM Land (excluding the Exchange Land). Such debt-to-equity conversion will reduce the overall tax impact to the Group while still able to achieve a transaction structure equivalent to an outright sale of the CMP Land in exchange for the 14% equity interest in A2 Company (the principal asset held by which will be the New Land). Having considered the above, we are of the view that the above funding structure to be acceptable to the Company and the Shareholders as a whole.

Further, it is proposed that A1 Company and B1 Company will jointly form C1 Joint Venture Company in the PRC for the purpose of jointly developing the Qianhai-Shekou Free Trade Zone. The registered capital of C1 Joint Venture Company will be contributed by A1 Company and B1 Company on a 50:50 basis, of which the capital contribution by A1 Company will comprise 100% of the equity interest of A2 Company and up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) in cash and the capital contribution by B1 Company will be 100% of the equity interest of B2 Company, the wholly-owned subsidiary of B1 Company. The cash contribution to be made by A1 Company is therefore the difference between the value of B2 Company (which holds the QH Land) and the value of A2 Company (which holds the New Land). A1 Company intends to fund the cash portion of the capital contribution in C1 Joint Venture Company with the Second Capital Increase from the Land Holding Companies pro rata to the corresponding interests each Land Holding Company holds in A1 Company.

Accordingly, on 11 January 2019, the Land Holding Companies entered into the Capital Increase Agreement with A1 Company to set out the terms of the First Capital Increase and the Second Capital Increase.

(e) Roadmap of the Transactions and the capital contribution to C1 Joint Venture Company

Set out below is a roadmap of the Transactions and the capital contribution to C1 Joint Venture Company:



Notes:

1. Pursuant to the Land Restructuring Agreement, the Land Holding Companies agree that the Aggregate CM Land to be disposed to QHSH.

2. Pursuant to the Land Restructuring Agreement, the New Land, after the Reclassification, shall be granted to A2 Company. In addition to the New Land to be granted to A2 Company, pursuant to the Land Restructuring Agreement, another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land will be transferred to the Group. The exact location of theDachan Bay Land and the transfer arrangement is subject to further agreement among SZPL, CMG, Antongjie and Ansujie.

3. The Land Holding Companies and A2 Company entered into the Debt Confirmation Agreement to confirm the debt payable to each of the Land Holding Companies. Accordingly, A2 Company owes Antongjie and Ansujie debt amounted of approximately RMB4,532.5 million (equivalent to approixmately HK$5,174.1 million) and RMB1,160.8 million (equivalent to approixmately HK$1,325.1 million) respectively.

4. In order to align the proportion of debt A2 Company owes to Antongjie and Ansujie with the proportion of equity interests Antongjie and Ansujie hold in aggregate in A1 Company, Antongjie entered into the Debt Assignment Agreement with CMSA pursuant to which CMSA agreed to assign and Antongjie agreed to receive the right to recover a debt of approximately RMB356.1 million (equivalent to approixmately HK$406.5 million) for a consideration of approximately RMB356.1 million (equivalent to approixmately HK$406.5 million).

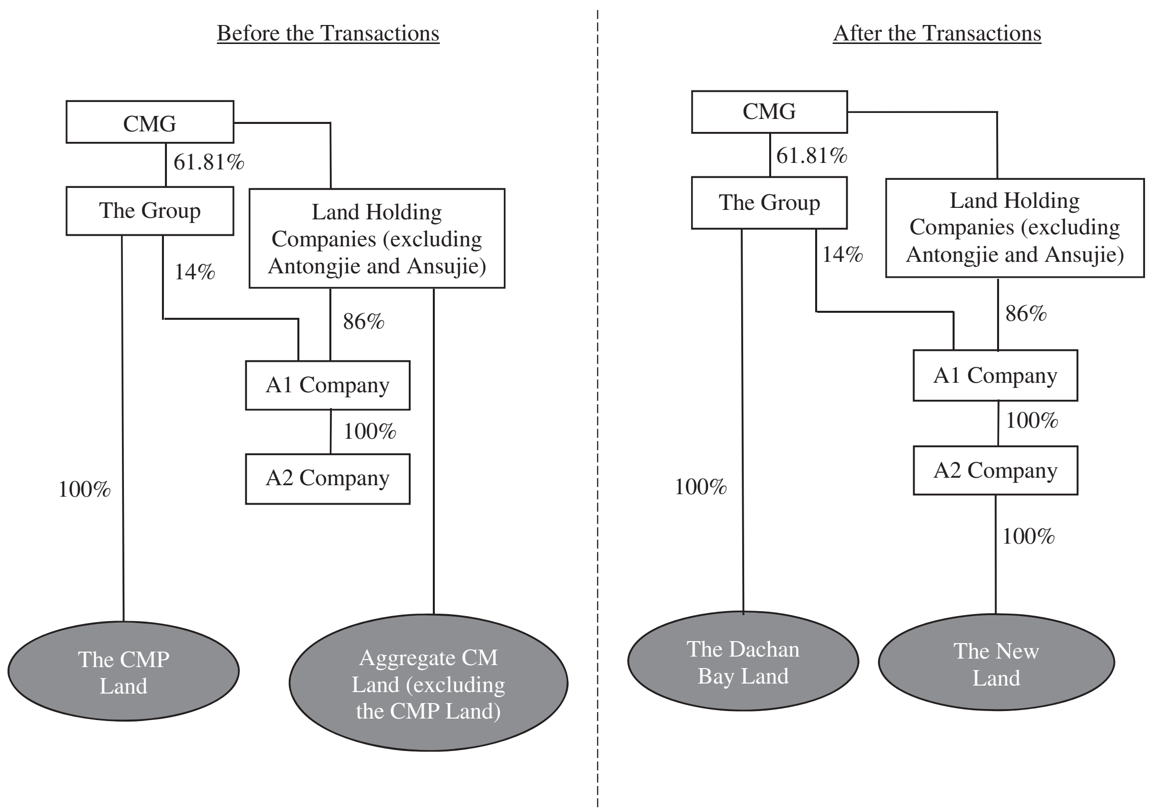
5. Pursuant to the Capital Increase Agreement, the Group will contribute approximately RMB6,049.4 million (equivalent to approximately HK$6,905.7 million) for injection to A1 Company for the First Capital Increase and the Group will contribute up to approximately RMB2.1 billion (equivalent to approximately HK$2.4 billion) for injection to A1 Company for the Second Capital Increase.

6. Upon receipt of the RMB43.21 billion (equivalent to approixmately HK$49.3 billion) cash for injection by the Land Holding Companies pursuant to the Capital Increase Agreement, A1 Company shall transfer the proceeds to A2 Company to repay the debt pursuant to the Debt Confirmation Agreement.

7. For the avoidance of doubt, the formation of C1 Joint Venture Company, together with the related injections of the New Land, the QH Land and cash of up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) into C1 Joint Venture Company, do not constitute a transaction or a connected transaction of the Company under Chapters 14 or 14A of the Listing Rules, respectively. The inclusion of the aforesaid transactions in the roadmap is for reference purpose only.

(f) Group structure before and after the Transactions

Set out below is a simplified group structure of CMG, the Group, the Land Holdings Companies, A1 Company and A2 Company before and after the Transactions.



3. Reasons for and benefits of the Transactions

The principal business of the Group is port and port-related business. As disclosed in the announcement made by the Company dated 28 July 2016, in order to seize the opportunities offered by the establishment of the Qianhai-Shekou Free Trade Zone, the Group has decided to jointly develop the Qianhai-Shekou Free Trade Zone with other state-owned enterprises which will allow the Group to indirectly participate in the general development of the Qianhai-Shekou Free Trade Zone.

As the Group has certain interest in land in the Qianhai-Shekou Free Trade Zone (which is currently classified for port and port-related usage), the participation of the Group in the overall development in such area will benefit the long-term development of the Group. In particular, in consideration of the disposal of the Aggregate CM Land by the Land Holding Companies to QHSH, QHSH will transfer the New Land (which is a part of the Aggregate CM Land strategically located in Qianhai, Shenzhen) to A2 Company at a substantially enhanced value as compared with the value of the Aggregate CM Land prior to the Reclassification, bringing significant economic benefits to the Group. The transaction will also allow the Group to indirectly participate in the future development in the Qianhai-Shekou Free Trade Zone.

As disclosed in the letter from the Board contained in the Circular, the disposal of the Aggregate CM Land and Reclassification were part of the PRC government's policy to redevelop Qianhai, Shenzhen into a business zone. To align with such redevelopment, the Land Holding Companies were required by QHSH to suspend development over the Aggregate CM Land for port, port-related, logistic and industrial purposes since 2010. Due to such government policy, the CMP Land is currently not generating revenue for the Group and unable to be developed for port or port-related usage. CMG, on behalf the Land HoldingCompanies, began negotiations with QHSH to determine the compensation payable by QHSH to the Land Holding Companies as a result of the disposal of the Aggregate CM Land and the Reclassification. QHSH agreed the Land Holding Companies could enjoy approximately 40% of the increased value of the Aggregate CM Land which is unprecedented as historically, for similar transactions where QHSH would resume land owned by other companies for redevelopment, QHSH would only pay compensation based on the original value of the resumed land prior to reclassification.

The key terms to restructure the Aggregate CM Land negotiated among CMG, QHSH and SZPL had been agreed in 2015 and as a result the parties agreed that values of the Aggregate CM Land (excluding the Exchange Land) before and after the Reclassification were determined with reference to their values as at 1 January 2015. However, due to protracted negotiations among the parties to finalise the terms under the Land Restructuring Agreement, the Land Restructuring Agreement was only entered into among the relevant parties in late 2018. Based on the information provided by the Independent Property Valuer, the Company understands that since 1 January 2015, the value of the Aggregate CM Land (excluding the Exchange Land) has appreciated yet the land interest held by the Group (excluding the Exchange Land) has appreciated at a slower rate than the rest of the Aggregate CM Land. In particular, the original land usage designated to the CMP Land (excluding the Exchange Land) was port usage while the original land usage designated to the rest of the Aggregate CM Land (excluding the Exchange Land) was logistic and industrial usage which has a higher rate of appreciation. Since A2 Company agreed that it will pay to the Group a proportioned value of the New Land corresponding to the value of the proportion of land interest the Group holds (excluding the

Exchange Land) under the Aggregate CM Land (excluding the Exchange Land), the proportion of debt payable to the Group by A2 Company pursuant to the Debt Confirmation Agreement will be larger if the respective values are determined with the reference date of 1 January 2015 rather than of a later date. In particular, although the value of the New Land as agreed under the Land Restructuring Agreement is RMB43.21 billion, based on the property valuation report from the Independent Property Valuer, the current value of the New Land has already appreciated to approximaely RMB53.5 billion (equivalent to approximately HK$61.1 billion) as at 31 December 2018, and therefore provides further financial upside to the Group.

As disclosed in the paragraph headed "(II) Land Restructuring Agreement — Consideration" in the letter from the Board contained in the Circular, the Dachan Bay Land will be transferred to the Group by SZPL in exchange for the disposal of the Exchange Land. Since Dachan Bay Land, which is located in close proximity of a linear distance of approximately 1 kilometre away from, and will have the same area and corresponding coastal length equivalent to, the Exchange Land, the Group can develop the Dachan Bay Land for port and port-related business, which is the principal business of the Group. The Group further understands from CMG that going forward A1 Company will cooperate with B1 Company through the establishment of C1 Joint Venture Company to further develop the land in the Qianhai-Shekou Free Trade Zone and in turn will generate future investment returns for the Group. Therefore, the Group is of the view that the Transactions will allow the Company to own interest in the Dachan Bay Land and to enjoy economic benefits from the Reclassification which together contribute a value that is significantly higher than the current value of the CMP Land which was originally acquired by the Group at an aggregate cost of RMB1,772.3 million (equivalent to approximately HK$2,023.2 million).

Having considered the above and other factors as set out in this letter including (i) the current status of the CMP Land; (ii) the terms of the Transactions; (iii) the valuation of the CMP Land and the New Land; and (iv) the financial effects of the Transactions, we are of the view that the entering into of the Transactions is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreements

Set out below is a summary of principal terms and conditions of the Agreements.

(a) The Land Restructuring Agreement

Date

24 December 2018

Parties

(i) SZPL

(ii) QHSH

(iii) CMG

(iv) Land Holding Companies (including Antongjie, Ansujie, CMSK, CMSA and CMSK Subsidiaries)

(v) A2 Company

Subject matter

Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree the Aggregate CM Land to be disposed to QHSH.

Prior to the Reclassification, the Aggregate CM Land made up of various land held by the Land Holding Companies in Qianhai, Shenzhen, with an aggregate land area of approximately 2,911,000 sq.m. (including the CMP Land which forms part of the Aggregate CM Land), mainly designated for port, port-related, industrial and logistics usage.

After the Reclassification, the Aggregate CM Land would be reclassified for commercial and office composite usage for the purpose of future development by C1 Joint Venture Company.

As a result of the Reclassification, the value of the Aggregate CM Land (excluding the Exchange Land) will be increased from approximately RMB13.0 billion (equivalent to approximately HK$14.8 billion) to RMB92.53 billion (equivalent to approximately HK$105.6 billion) (as determined by the QH Property Valuer).

Consideration

In consideration of the disposal of the Aggregate CM Land under the Land Restructuring Agreement, the parties have agreed that the following compensation shall be payable to the Land Holding Companies by QHSH:

(i) with respect to the Aggregate CM Land (excluding the Exchange Land), the parties agreed that the New Land (being new land after the Reclassification with an area of approximately 425,300 sq.m. and a value of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion)) will be granted by QHSH to A2 Company, a wholly-owned subsidiary of A1 Company; and

(ii) in addition to the New Land, another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land will be transferred to the Group. The exact location of the Dachan Bay Land and the transfer arrangement is subject to further agreement between SZPL, CMG, Antongjie and Ansujie.

The value of the New Land of RMB43.21 billion (equivalent to approixmately HK$49.3 billion) mentioned in paragraph (i) above is the summation of (a) the original value of the Aggregate CM Land (excluding the Exchange Land) of approximately RMB13.0 billion (equivalent to approixmately HK$14.8 billion); and (b) land appreciation value of RMB30.21 billion (equivalent to approixmately HK$34.5 billion) which the parties agreed the Land Holding Companies will enjoy. The land appreciation value is calculated based on the formula as set out in the section headed "(II) Land Restructuring Agreement" in the letter from the Board contained in the Circular.

Conditions precedent

The Land Restructuring Agreement is conditional on the satisfaction of, among others, the obtaining of the necessary authority approvals and shareholders' approvals as required by the relevant laws and listing rules within six months from the date of the Land Restructuring Agreement.

(b) The Debt Confirmation Agreement

Date

11 January 2019

Parties

(i) the Land Holding Companies, including Antongjie, Ansujie, CMSK, CMSA and CMSK Subsidiaries (as creditors)

(ii) A2 Company (as debtor)

Subject matter

Pursuant to the Debt Confirmation Agreement, the parties agree that A2 Company owes the Land Holding Companies a total amount of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion). According to the Valuation Consultation Report, the value of the corresponding proportion of land interest Antongjie and Ansujie holds under the Aggregate CM Land is 10.4894% and 2.6864% of the value of the New Land, respectively. Accordingly, the parties agree that A2 Company owes Antongjie and Ansujie debt amounts of approximately RMB4,532.5 million (equivalent to approximately HK$5,174.1 million) and RMB1,160.8 million (equivalent to approximately HK$1,325.1 million), respectively.

A2 Company agrees to repay each of the Land Holding Companies the respective debt amount within 120 business days after all the conditions precedent are satisfied.

Conditions precedent

The completion of the Debt Confirmation Agreement is conditional on the satisfaction of, among others, the following:

(i) the obtaining of necessary authorisations and approvals; and

(ii) the signing and entering into force of the land transfer agreement between A2 Company and QHSH pursuant to which QHSH agrees to grant the New Land to A2 Company after the Reclassification.

(c) The Debt Assignment Agreement

Date

11 January 2019

Parties

(i) Antongjie (as assignee)

(ii) CMSA (as assignor)

(iii) A2 Company (as debtor)

Subject matter

CMSA agreed to assign to Antongjie and Antongjie agreed to receive the right to recover the Assigned Debt from A2 Company.

Consideration

Antongjie agreed to pay a consideration of approximately RMB356.1 million (equivalent to approximately HK$406.5 million) on a dollar-to-dollar basis for the assignment of the Assigned Debt. The consideration was negotiated on an arm's length basis with reference to the principal amount of debt to be assigned by CMSA to Antongjie. The consideration to be paid by Antongjie will be in cash and will be funded by internal resources of the Group.

Conditions precedent

The completion of the Debt Assignment Agreement from CMSA to Antongjie is conditional on the satisfaction of, among others, the following:

(i) the obtaining of necessary authority approvals and Shareholders' approvals as required by the relevant laws and listing rules; and

(ii) the Debt Confirmation Agreement being effective.

Completion

All parties agree that completion will take place when all the conditions precedent are satisfied and CMSA has paid all taxes payable in accordance with the laws and regulations of the PRC. Upon completion of the Debt Assignment Agreement, A2 Company will owe Antongjie the Assigned Debt and Antongjie will hold all the rights associated with the Assigned Debt.

(d) The Capital Increase Agreement

Date

11 January 2019

Parties

(i) The Land Holding Companies including Antongie, Ansujie, CMSA, CMSK and the CMSK Subsidiaries (as shareholders)

(ii) A1 Company (as company)

Subject matter

(i) The First Capital Increase

Pursuant to the Capital Increase Agreement, the Land Holding Companies agreed to inject a total of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) in cash for the First Capital Increase in A1 Company. Set out below is the breakdown of cash injection in A1 Company to be made by each of the Land Holding Companies:

Land Holding Companies	**Shareholding percentage**	**Amount of cash injection**	
	%	*RMB (million)*	*Approximate HK$ (million) equivalent*
Antongjie	11.3136%	4,888.6	5,580.6
Ansujie	2.6864%	1,160.8	1,325.1
CMSA	2.8866%	1,247.3	1,423.9
CMSK and CMSK Subsidiaries	83.1134%	35,913.4	40,997.0
Total	100.0%	43,210.1	49,326.6

The capital injection to be made by each Land Holding Company under the First Capital Increase was determined with reference to the debt owed by A2 Company to each Land Holding Company pursuant to the Debt Confirmation Agreement and the Debt Assignment Agreement. All capital injection in A1 Company will be made in cash. The First Capital Increase is intended to fund the proposed capital injection by A1 Company for the repayment of debt owed by A2 Company to the Land Holding Companies.

(ii) The Second Capital Increase

Pursuant to the Capital Increase Agreement, the Land Holding Companies further agreed to, within 6 months from the satisfaction of the conditions precedent as set out below, inject a total of up to RMB15.0 billion (equivalent to approximately HK$17.1 billion) in cash for the Second Capital Increase in A1 Company to fund contribution in C1 Joint Venture Company, of which Antongjie and Ausujie will inject a total of up to RMB2.1 billion (equivalent to approximately HK$2.4 billion). The capital contribution made up of the equity interest of A2 Company and cash will not exceed the capital contribution by B1 Company which will be 100% of the equity interest in B2 Company. The cash contribution to be made by A1 Company is therefore the difference between the value of B2 Company (which holds the QH Land) and the value of A2 Company (which holds the New Land). The Land Holding Companies and A1 Company agree to enter into a subsequent capital increase agreement, the principal terms of which shall be consistent with that of the Capital Increase Agreement, to confirm the final amount of capital injection to be made by each Land Holding Company in A1 Company. All capital injection in A1 Company will be made in cash. The Second Capital Increase is intended to fund the cash injection to be made by A1 Company as part of the capital contribution in C1 Joint Venture Company.

The terms of the Capital Increase Agreement were determined after arm's length negotiations between the parties.

The capital injection to be made by each Land Holding Company under the First Capital Increase was determined with reference to the debt owed by A2 Company to each Land Holding Company pursuant to the Debt Confirmation Agreement and the Debt Assignment Agreement.

The maximum capital injection to be made by the Land Holding Companies was determined with reference to estimated values of the New Land and the QH Land. The final capital injection to be made by each Land Holding Company is subject to the appraised values of the equity interest in A2 Company and the equity interest in B2 Company to be determined by valuer. In the event that the actual capital injection required by A1 Company exceeds RMB15.0 billion (equivalent to approximately HK$17.1 billion) and the Group is requested to provide additional funding to A1 Company, the Company will obtain separate shareholders' approval in this regard.

Both First Capital Increase and Second Capital Increase to be made by Antongjie and Ausujie will be funded by internal resources of the Group.

As advised by the management of the Group, the estimated maximum capital injection of RMB15.0 billion (equivalent to approximately HK$17.1 billion) was determined based on, among others, (a) the difference in value between the QH Land of RMB56.8 billion (equivalent to approximately HK$64.8 billion) and the New Land of RMB43.21 billion (equivalent to approximately HK$49.3 billion) as at 1 January 2015 as appraised by a PRC property valuer; and (b) 10% buffer to accommodate the potential increase in the appraised value of the QH Land over the New Land since 1 January 2015.

The primary purpose of the Second Capital Increase is to supplement the capital of A2 Company in the C1 Joint Venture Company so that the value of the New Land to be appraised by the PRC property valuer plus the aforesaid cash injection pursuant to the Second Capital Increase will be equal to the value of the QH Land to be appraised by the PRC property valuer. Accordingly, the registered capital of C1 Joint Venture Company will be contributed by A1 Company and B1 Company on a 50:50 basis.

As set out in the Capital Increase Agreement, in the event that the actual capital injection required by A1 Company exceeds RMB15.0 billion (equivalent to approximately HK$17.1 billion), the Land Holding Companies and A1 Company shall enter into a supplemental agreement to contribute the additional cash required on a pro rata basis. In the event that the aforesaid capital requirement is over RMB15.0 billion (equivalent to approximately HK$17.1 billion) and the Group is requested to provide additional funding to A1 Company, the Company will obtain separate shareholders' approval in this regard.

Having considered (i) the capital injection pursuant to the Second Capital Increase was determined primarily on the difference between the appraised values of the New Land and the QH Land; (ii) the purpose of the Second Capital Injection is to supplement the shortfall between the appraised values of the QH Land over the New Land; (iii) the value of the New Land and cash contribution by A1 Company will not exceed the capital contribution (i.e. the value of the QH Land) by B2 Company into C1 Joint Venture Company; and (iv) the Land Holding Companies shall contribute the required cash based on their respective shareholding interest in A1 Company, we are of the view that (a) the maximum capital injection of RMB15.0 billion (equivalent to approximately HK$17.1 billion) is reasonable and not excessive; and (b) the Second Capital Increase are acceptable to the Company and the Shareholders as a whole.

Conditions precedent

The Capital Increase Agreement is conditional upon the satisfaction of, among others, the obtaining of the necessary Shareholders' approvals.

Completion

The Land Holding Companies agreed to contribute their respective capital under the First Capital Increase within 30 business days of the satisfaction of the conditions precedent.

Upon completion of the First Capital Increase and the Second Capital Increase, the equity interest of A1 Company will be held by the Land Holding Companies as to 11.3136% by Antongjie, 2.6864% by Ansujie, 2.8866% by CMSA, 83.1134% by CMSK and the CMSK Subsidiaries. As such, the proportion in A1 Company held by each Land Holding Company will be the same before and after the First Capital Increase and the Second Capital Increase. For the avoidance of doubt, A1 Company will remain as a non-wholly-owned subsidiary of CMSK.

5. Information on the CMP Land, the New Land, A1 Company and A2 Company

(a) Information on the CMP Land

As disclosed in the letter from the Board contained in the Circular, the CMP Land to be disposed by the Group as a result of the Land Restructuring Agreement are two pieces of land in Qianhai, Shenzhen, the PRC held by Antongjie and Ansujie with an aggregate land area of 965,958.41 sq.m. plus interest in land with an aggregate area of 36,202.90 sq.m. which Antongjie has previously acquired from CMSK but which has yet to obtain the relevant land rights certificate. The CMP Land was acquired by the Group at an aggregate cost of RMB1,772.3 million (equivalent to approximately HK$2,023.2 million). As at the Latest Practicable Date, the CMP Land is vacant and not generating any revenue for the Group. The CMP Land forms part of the Aggregate CM Land.

(b) Information on the New Land

As disclosed in the Valuation Report and as advised by the management of the Group, the New Land is the land after the Reclassification with an area of approximately 425,300 sq.m. to be granted by QHSH to A2 Company. The New Land is expected for commercial and office composite usage with a proposed above-ground gross floor area of approximately 2,129,000 sq.m..

(c) Information on A1 Company

A1 Company was established by Antongjie, CMSK and China Merchants Logistics Holding Co., Ltd, a wholly-owned subsidiary of CMG, in 2016. Upon completion of the Equity Transfer Agreements, A1 Company is owned as to 14.0% by the Group and the remaining 86.0% by CMSA, CMSK and CMSK Subsidiaries. A1 Company is principally engaged in investment holding and is the holding company of A2 Company.

Upon completion of the Transactions, the board of directors of A1 Company will comprise five directors. CMSK will be entitled to appoint four directors and Antongjie will be entitled to appoint one director. There will be two supervisors in A1 Company, one of which will be nominated by Antongjie and the other will be nominated by CMSA. The general manager and the financial controller of A1 Company will be nominated by CMSK. The deputy general manager will be nominated by Antongjie. The general manager, deputy general manager and financial controller of A1 Company will be appointed by the board of directors of A1 Company.

According to the articles of association of A1 Company, the shareholders can exercise their voting rights at shareholders meeting in proportion to their subscribed contributions. Any amendments to the articles of association, increase or reduction of registered capital of A1 Company or any merger, division, dissolution or change in the corporate structure of A1 Company shall require unanimous approval of its shareholders.

In addition, upon completion of the Transactions and in accordance with the articles of association of A1 Company, (i) in the event a shareholder proposes to dispose of its shares in A1 Company, the other shareholders shall have the right of first refusal to acquire the shares proposed to be disposed of; and (ii) in the event that a shareholder proposes to dispose of its shares in A1 Company and Antongjie and Ansujie do not exercise the right of first refusal, they have the right to request the acquirer to acquire their shares in A1 Company at the same price, terms and conditions from them.

Based on the unaudited consolidated financial statements of A1 company prepared in accordance with the China Accounting Standards for Business Enterprises, both the total assets of A1 Company and net assets value attributable to the shareholders of A1 Company as at 30 September 2018 amounted to approximately RMB520.0 million (equivalent to approximately HK$593.6 million).

Set out below are the net profits (both before and after taxation) for the two financial years ended 31 December 2016, 2017 based on the audited consolidated financial statements of A1 Company and the nine months ended 30 September 2018 based on the unaudited consolidated financial statements of A1 Company, both prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the nine months ended 30 September	For the year ended 31 December	
	2018	**2017**	**2016**
	RMB	*RMB*	*RMB*
Profit / (loss) before taxation	(6,896) (equivalent to approximately (HK$7,872))	27,221 (equivalent to approximately HK$31,074)	(20,287) (equivalent to approximately (HK$23,159))
Profit / (loss) after taxation	(8,613) (equivalent to approximately (HK$9,832))	25,488 (equivalent to approximately HK$29,095)	(20,287) (equivalent to approximately (HK$23,159))

Based on our discussion with the management of the Group, there have been no substantial operation of A1 Company and its subsidiaries.

(d) Information on A2 Company

A2 Company is a company incorporated in the PRC and is principally engaged in investment holding. It is a wholly-owned subsidiary of A1 Company.

6. Valuation of the CMP Land and the New Land

From the perspective of the Company, the Transactions are essentially an exchange of (a) the CMP Land and the amount payable for assignment of the Assigned Debt for (b) a 14.0% interest in the New Land and the entire interest in the Dachan Bay Land. Since the subject assets are largely property interests, we have conducted a review on the valuations of the CMP Land and the New Land in order to evaluate the fairness and reasonableness of the Transactions. As the exact location of the Dachan Bay Land and the transfer arrangement are subject to further agreement among the parties, no valuation could be practically conducted on the Dachan Bay Land as at the Latest Practicable Date.

The Valuation Report of the aforesaid valuations as at 31 December 2018 (the "**Valuation Date**") was prepared by the Independent Property Valuer. Details of the Valuation Report are set out in appendix 1 to the Circular. The Valuation Report was prepared in compliance with Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have reviewed the Valuation Report and the relevant valuation workings of the Independent Property Valuer and interviewed the relevant staff of the Independent Property Valuer with particular attention to (i) the Independent Property Valuer's terms of engagement with the Company; (ii) the Independent Property Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Property Valuer in performing the valuations for the CMP Land and the New Land.

From our review of the engagement letter between the Company and the Independent Property Valuer, we are satisfied that the terms of engagement between the Company and the Independent Property Valuer are appropriate to provide the valuation opinion. The Independent Property Valuer confirms that it is independent from the Company, the parties to the Land Restructuring Agreement, the Debt Confirmation Letter and the Debt Confirmation Agreement and their respective core connected persons, close associates and associates. We further understand that the Independent Property Valuer is certified with the relevant professional qualifications required to perform the valuations of the CMP Land and the New Land and the person in-charge of valuation has 25 years of experience in conducting valuation services to clients in the property industry of the PRC and Hong Kong.

We noted that the Independent Property Valuer mainly carries out its due diligence through management interviews and conducts its own proprietary research and relies on publicly available information obtained through its own research as well as the financial information provided by the management of the Group. We are advised by the Independent Property Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification. The Independent Property Valuer, through its team of professional valuers, inspected the CMP Land and the New Land in December 2018.

In arriving at its opinion of value, the Independent Property Valuer values the CMP Land and the New Land by market approach, which is a widely accepted valuation methodology. The market approach assesses the market values of the CMP Land and the New Land by comparing them with other comparable transactions in the adjacent region as identified by the Independent Property Valuer. Market value is generally defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and seller in an arm's length transaction after proper marketing and where the respective parties had each acted knowledgeably, prudently and without compulsion. The market approach focuses on analysing the transacted value of the comparable transactions, with appropriate adjustments made in relation to time, location, physical characteristics and other factors between the comparable properties and the CMP Land or the New Land, to arrive at the assessed market value of the CMP Land and the New Land. We have discussed with the Independent Property Valuer in relation to the methodology, basis and assumptions adopted during the course of conducting market approach. As advised by the Independent Property Valuer, it considers market approach to be the most preferred valuation methodology for the valuations of both the CMP Land and the New Land over the other two generally accepted valuation methodologies, namely the cost approach and the income approach. The Independent Property Valuer further explains that both alternative approaches are not considered appropriate to the valuation of the CMP Land (i.e. a bare land parcel for logistics use) as it is not practicable to forecast various costs and incomes for port operation. In addition, since there is inadequate information on the details of the planning for the New Land, the Independent Property Valuer is unable to adopt the two aforesaid alternative approaches.

During the course of the Independent Property Valuer's assessment, three comparable transactions (conducted in October 2016, November 2018 and December 2018 for the CMP Land and in October 2018, December 2018 and December 2018 for the New Land) are identified from China Land Market Website* (中國土地市場網) during the period from 1 January 2016 up to the Valuation Date for each of the valuations of the CMP Land and the New Land. As advised by the Independent Property Valuer, it primarily conducts its research of comparable transactions through China Land Market Website*, which is commonly used and is considered a reliable source for valuation purpose. Furthermore, we understand from the Independent Property Valuer that these comparable transactions are chosen based on their comparability with the CMP Land and the New Land and, to point out, an adjustment factor on time is applied to cater for the comparable transaction conducted in October 2016 when assessing the market values of the CMP Land and the New Land. Overall, based on our discussion with the Independent Property Valuer, our review of the selection criteria, assessment of the appropriateness of the selected comparable transactions and the adjustment factors applied, we are satisfied with the completeness and appropriateness of the comparable transactions to form the basis of the market values of the CMP Land and the New Land.

Having discussed the above market approach and reviewed the reasons for adopting such valuation methodology, basis and assumptions, we are of the opinion that the chosen valuation methodology in establishing the market values of the CMP Land and the New Land is appropriate.

(a) Valuation of the CMP Land

As mentioned in the Valuation Report, the Company is in possession of a legal and complete title of the CMP Land (except for a parcel of land with an area of approximately 36,202.90 sq.m. which has yet to obtain the relevant land use rights certificate) and based on the aforementioned methodology, basis and assumptions as adopted by the Independent Property Valuer, the valuation of the CMP Land was RMB4,169.1 million (equivalent to approximately HK$4,759.2 million) as at the Valuation Date.

(b) Valuation of the New Land

As mentioned in the Valuation Report, the market value of the New Land after reclassification of land usage (excluding the Exchange Land), assuming the reclassification of land usage has been completed, the land use rights certificates of the New Land have been obtained and the land could be free transferred, would be RMB53,541.0 million (equivalent to approximately HK$61,119.9 million) as at the Valuation Date.

Based on our discussion with the Independent Property Valuer, the market value of the New Land is for reference purpose only as the Independent Property Valuer is unable to ascertain the New Land's legal title since the CMP Land has yet to be disposed to QHSH as at the Latest Practicable Date. Nevertheless, according to the Land Restructuring Agreement, a land grant contract shall be entered into by A2 Company and QHSH within five working days from completion of deregistration of all the properties as stipulated in the Land Restructuring Agreement. Upon signing of the land grant contract, the PRC government shall proceed to issue the relevant legal title documents of the New Land, including the land use rights certificates with reclassified land use. It is also stated in the PRC legal opinion that there is no material legal impediment for the land use rights' owner of the New Land in obtaining the land use rights certificate for the New Land after the Land Restructuring Agreement come into force and all the requisite procedures and/or obligations and/or permissions under the PRC laws and the Land Restructuring Agreement in relation to application for the land use rights certificate have been fulfilled. Despite the inability to ascertain the possibility to obtain a legal and complete title upon the completion of Reclassification, we are of the view that the underlying risk is relatively low as the transactions contemplated under the Land Restructuring Agreement were agreed with the PRC government.

7. Assessment of the consideration for the Transactions

As mentioned above, the Transactions are essentially an exchange of (a) the CMP Land and the amount payable for assignment of the Assigned Debt for (b) a 14.0% interest in the New Land and the entire interest in the Dachan Bay Land. Based on the valuations of the CMP Land and the New Land as set out in the Valuation Report, we have conducted an assessment of the consideration for the Transactions as set out below.

	RMB (million)	*Approximate HK$ equivalent (million)*
The value of the CMP Land for current use (i.e. logistics use) as appraised by the Independent Property Valuer	4,169.1 *(Note 1)*	4,759.2
Amount payable for assignment of the Assigned Debt	356.1	406.5
Total value in exchange for the 14.0% interest in the New Land and the entire interest in the Dachan Bay Land	4,525.2	5,165.7
The share of interest in the New Land attributable to the Group upon completion of the Transactions	7,495.7 *(Notes 2 and 3)*	8,556.7
Appreciation in the value attributable to the Group as a result of the Transactions (before taking into account the value of the Dachan Bay Land)		
— in amount	2,970.5	3,391.0
— in percentage	65.6%	65.6%

Notes:

1. The estimated market value of the CMP Land as at 31 December 2018 is set out in the Valuation Report in appendix 1 to the Circular.

2. As set out in the Valuation Report, the estimated market value of the New Land after the Reclassification as at 31 December 2018 would be RMB53,541.0 million (equivalent to approximately HK$61,119.9 million). Based on the equity interest of 14.0% in A1 Company held by the Group upon completion of the Transactions, the share of market value of the New Land attributable to the Group will be approximately RMB7,495.7 million (equivalent to approximately HK$8,556.7 million).

3. In arriving the estimated share of interest in the New Land attributable to the Group upon completion of the Transactions, we have not deducted the potential deferred taxation in respect of corporate income tax upon the disposal of the interest in the New Land by A2 Company in the future.

   As advised by the management of the Company, the deferred corporate income tax is calculated at 25% (being the applicable tax rate) on the estimated assessable profit generated from the disposal of the properties, which in turn is based on the estimated proceeds to be received from the disposal of the interest in the New Land less, among others, property development expenditures and land appreciation tax (if any).

   Since there is no detailed development plan for the New Land at this stage, the estimated potential deferred taxation could not be ascertained. Nevertheless, the potential deferred taxation (if any), based on the current stage of the New Land and assuming the New Land is disposed at the current valuation, is unlikely exceed the valuation surplus of approximately RMB10,330.9 million (equivalent to approximately HK$11,793.3 million), being the current valuation of the New Land of RMB53,541.0 million (equivalent to approximately HK$61,119.9 million) less the cost of the acquisition of approximately RMB43,210.1 million (equivalent to approximately HK$49,326.6 million). On a pro-rata basis, the potential deferred taxation (if any), based on the current stage of the New Land, attributable to the Group is unlikely exceed RMB1,446.3 million (equivalent to approximately HK$1,651.0 million).

As shown above in the table above, there will be an appreciation in the value attributable to the Group of approximately RMB2,970.5 million (equivalent to approximately HK$3,391.0 million) or 65.6% upon completion the Transactions, before taking into account the potential value of the Dachan Bay Land to be transferred to the Group.

Pursuant to the Land Restructuring Agreement, the Dachan Bay Land, being a piece of land located in Dachan Bay Port Phase II with the same area and corresponding coastal length as the Exchange Land, will be transferred to the Group. As the exact location of the Dachan Bay Land and the transfer arrangement are subject to further agreement among the relevant parties, we have not included the potential value of the Dachan Bay Land in our analysis above. If the potential value of the Dachan Bay Land is included, the appreciation in the value attributable to the Group as a result of the Transactions will be even higher.

8. Financial impacts of the Transactions

(a) Earnings

As set out in the letter from the Board, upon the Land Restructuring Agreement becoming effective, Antongjie and Ansujie will give up and cease to have interest in the CMP Land. As at the Latest Practicable Date, the CMP Land is vacant and not generating any revenue for the Group.

Upon completion of the disposal of the CMP Land (excluding the Exchange Land), the Group will receive from A2 Company of approximately RMB5,693.3 million (equivalent to approximately HK$6,499.2 million) pursuant to the Debt Confirmation Agreement. Set out below is the calculation of the after-tax gain on disposal of the CMP Land (excluding the Exchange Land):

	RMB (million)	*Approximate HK$ equivalent (million)*
Amount to be received from A2 Company for the disposal of the CMP Land (excluding the Exchange Land)	5,693.3	6,499.2
Less: book value of the CMP Land (excluding the Exchange Land) *(Note 1)*	(814.0)	(929.2)
Gross gain on disposal before taxation	4,879.3	5,570.0
Less: unrealised gain on disposal before taxation *(Note 2)*	(683.1)	(779.8)
Net gain on disposal before taxation	4,196.2	4,790.2
Less: taxation on the gain on disposal *(Note 3)*	(1,049.1)	(1,197.6)
After-tax gain on disposal	3,147.1	3,592.6

Notes:

1. As advised by the management of the Group, the carrying value of the CMP Land (excluding the Exchange Land) was RMB814.0 million (equivalent to approximately HK$929.2 million) as at 30 June 2018.

2. Upon completion of the Transactions, the Group will, through its 14% equity interest in A1 Company, retain 14% effective interest in the New Land (through the exchange of the CMP Land (excluding the Exchange Land)). As such, 14% of the gain on disposal before taxation remains unrealised.

3. As advised by the management of the Group, the gain on the disposal of the CMP Land will be subject to corporate income tax at the rate of 25%.

Based on the above, upon completion of the Transactions, the Group will recognise a one-off after-tax gain on disposal of the CMP Land (excluding the Exchange Land) of approximately RMB3,147.1 million (equivalent to approximately HK$3,592.6 million).

Save for the aforesaid one-off after-tax gain on the disposal of the CMP Land (excluding the Exchange Land), the Transactions are not expected to bring any significant impact on the financial results of the Group.

(b) NAV

As mentioned above, the Group will recognise an after-tax gain on disposal of the CMP Land (excluding the Exchange Land) of approximately RMB3,147.1 million (equivalent to approximately HK$3,592.6 million). Accordingly the NAV of the Group attributable to the equity holders of the Company would be enhanced by approximately HK$3,592.6 million or 4.7% from HK$75,873 million as at 30 June 2018 to HK$79,465.6 million if the Transactions were completed on the same date.

(c) Liquidity

As at 30 June 2018, the Group had cash and bank balances of approximately HK$8,532 million and net current liabilities of approximately HK$8,960 million. Set out below is a summary of cash receipt and payments by the Group in the Transactions.

	RMB (million)	*Approximate HK$ equivalent (million)*
Receipts from A2 Company pursuant to the Debt Confirmation Agreement and the Debt Assignment Agreement	6,049.4	6,905.7
Payment to CMSA pursuant to the Debt Assignment Agreement	(356.1)	(406.5)
Payment to A1 Company in the First Capital Increase	(6,049.4)	(6,905.7)
Maximum payment to A1 Company in the Second Capital Increase	(2,100.0)	(2,397.3)
Maximum net cash payment by the Group	(2,456.1)	(2,803.8)

As set out in the table above, upon completion of the Transactions, the Group will have a maximum net cash outflow of approximately RMB2,456.1 million (equivalent to approximately HK$2,803.8 million).

Despite the net current liability position of the Group as at 30 June 2018, having considered (i) the cash and bank balances of approximately HK$8,532 million held by the Group as at 30 June 2018; (ii) the net proceeds of a total of US$1,486 million (equivalent to approximately HK$11,591 million) from the issue of guaranteed notes by the Group in August 2018; and (iii) the total undrawn bank loan facilities and other debt financing instruments amounting to HK$26,024 million as at 30 June 2018, it is expected that the Group will have sufficient working capital upon completion of the Transactions.

(d) Gearing

As at 30 June 2018, the Group's gearing ratio, being net interest-bearing debts (i.e. interest-bearing debts of approximately HK$39,994 million minus cash and bank balances of approximately HK$8,532 million) divided by total equity of approximately HK$88,864 million, was approximately 35.4%.

As advised by the management of the Group, the cash payments as mentioned in paragraph (c) above will be financed by internal resources of the Group. Accordingly, the cash and bank balances will decrease by the net cash payment of up to approximately HK$2,803.8 million. On the other hand, as mentioned in paragraph (b) above, the NAV of the Group will increase by approximately HK$3,592.6 million upon completion of the Transactions. As a result, the gearing ratio will increase to up to 37.1%, up from approximately 35.4% as at 30 June 2018, upon completion of the Transactions.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into of the Transactions is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2018 of the CMP Land.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F Floor One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No : C-030171

1 February 2019

The Board of Directors
China Merchants Port Holdings Company Limited
38/F, China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

On 24 December 2018, as part of an urban planning initiative driven by the Shenzhen People's Government, Ansujie Port and Warehouse Services (Shenzhen) Company Limited ("Ansujie") and Antongjie Port and Warehouse Services (Shenzhen) Company Limited ("Antongjie"), both being indirect wholly-owned subsidiaries of China Merchants Port Holdings Company Limited ("Company"), entered into the Land Restructuring Agreement with Shenzhen Urban Planning, Land and Resources Commission ("SZPL"), Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission ("QHSH"), China Merchants Group Limited ("CMG), Shenzhen Qianhai Pingfangyuanqu Development Company Limited ("QHPF"), China Merchants Shekou Industrial Zone Holdings Company Limited ("CMSK"), Shenzhen China Merchants Shekou Asset Management Company Limited ("CMSA"), a number of subsidiaries of China Merchants Shekou Industrial Zone Holdings Company Limited ("CMSK Subsidiaries") and Shenzhen China Merchants Qianhai Chidi Asset Company Limited ("A2 Company") to further coordinate and manage the various interest in land in Qianhai, Shenzhen, the PRC currently held by CMG and its subsidiaries ("CMG Group") for the purpose of developing the Qianhai-Shekou Free Trade Zone with affiliates of QHSH through the establishment of another joint venture company.

Pursuant to the Land Restructuring Agreement, among others, Antongjie, Ansujie, CMSA, CMSK and CMSK Subsidiaries ("Land Holding Companies") agree various land in Qianhai, Shenzhen with an aggregate land area of approximately 2,911,141.6 square metres held by the Land Holding Companies ("Aggregate CM Land") to be resumed by QHSH and be reclassified for the purpose of future development by A2 Company and affiliates of QHSH.

The total consideration payable to the CMG Group for the transactions contemplated by the Land Restructuring Agreement will be comprised of (i) new land after the reclassification of land usage of the Aggregate CM Land for the purpose of future development by A2 Company and affiliates of QHSH with an area of approximately 425,300 square meters and a capital amount of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) to be granted by QHSH to A2 Company ("New Land") and (ii) another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land to be transferred to the Group.

Upon the Land Restructuring Agreement becoming effective, Antongjie and Ansujie will give up and cease to have interest in the two pieces of land held by Antongjie and Ansujie with an aggregate land area of 965,958.41 square metres plus interest in land with an aggregate area of 36,202.90 square metres which Antongjie has previously acquired from CMSK but has yet to obtain the relevant land use rights certificate (altogether referred to as "CMP Land").

In accordance with your instructions to value CMP Land in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2018 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificates relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest. We have relied considerably on the advice given by the Company's PRC legal adviser — JunHe LLP, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in December 2018 by Mr. Michael Yu, Mr. Jimmy Gu and Ms. Diana Yang. They are China Real Estate Appraiser, member of RICS or have over 2 years' experience in the valuation of properties in the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). For the purpose of illustration only, the exchange rate adopted in the report is approximately HK$1.00 to RMB0.876.

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 December 2018** *RMB*
2 parcels of land (Lot Nos. T102-0166 and T102-0167) and a parcel of land (portions of Lot Nos. Qianhai 01-07-04 and 01-07-05) (altogether known as CMP Land) located in Logistics Area of Qianhai Bay Nanshan District Shenzhen City Guangdong Province The PRC	The property comprises 2 parcels of land adjacent to each other with a total site area of approximately 965,958.41 sq.m. and a parcel of land with a site area of approximately 36,202.90 sq.m. (altogether known as CMP Land). The property is located in the Logistics Area of Qianhai Bay, which is in the southwest of Nanshan District, Shenzhen City. The locality enjoys good conditions of development and embraces favourable developing potential. The southern side is Shekou Customs, the eastern side is Houhai CBD, one of the central business districts in Nanshan District, and the northern side and western side stand the Dachanwan Bay Port and Dachan Island respectively, which are separated by sea. The public transportation of getting to the property directly is less convenient, while the distance to Shenzhen West Railway Station is only about 3.5km and takes approximately 40 minutes' driving distance to Bao'an Airport. The land use rights of 2 parcels of land of the property with a total site area of approximately 965,958.41 sq.m. have been granted for terms expiring on 30 December 2056 for logistics use.	The property was bare land as at the valuation date.	4,169,100,000 (equivalent to approximately HK$4,759,246,575)

Notes:

1. Pursuant to a Real Estate Title Certificate — Shen Fang Di Zi No. 4000331841, the land use rights of a parcel of land of the property (Lot No. T102-0167) with a site area of approximately 368,101.55 sq.m. have been granted to Antongjie for a term expiring on 30 December 2056 for logistics use.

2. Pursuant to a Real Estate Title Certificate — Shen Fang Di Zi No. 4000331841, the land use rights of another parcel of land of the property (Lot No. T102-0166) with a site area of approximately 597,856.86 sq.m. have been granted to Ansujie for a term expiring on 30 December 2056 for logistics use.

3. As advised by the Company, a parcel of land of the property with a site area of approximately 36,202.90 sq.m. was previously acquired by Antongjie from China Merchants Shekou Industrial Zone Holdings Company Limited. In the valuation of this parcel of land, we have attributed no commercial value to it as the relevant Land Use Rights Certificate for this land had not yet been obtained as at the valuation date.

4. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of Lot Nos. T102-0166 and T102-167 of the property with a total site area of approximately 965,958.41 sq.m., relevant land transaction comparables can be found in the locality. Accordingly, direct comparison approach was adopted in the valuation. We have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as use, site area, layout and accessibility of the property. The selected comparables are logistics and port use land which were transacted from October 2016 to 2018. The accommodation value of these comparable land sites ranges from RMB3,200 (equivalent to approximately HK$3,653) to RMB3,980 (equivalent to approximately HK$4,543) per sq.m. for logistics and port use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed adjusted site unit rate. The general basis of adjustment of physical characteristics like size and layout, etc. and location is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date of these comparables and the valuation date is considered.

5. Pursuant to the Land Restructuring Agreement, among others, the Land Holding Companies agree the Aggregate CM Land to be resumed by QHSH and be reclassified for commercial and office composite usage for the purpose of future development by A2 Company and affiliates of QHSH. In consideration of the resumption of the Aggregate CM Land under the Land Restructuring Agreement, the parties have agreed that the following compensation shall be payable to the Land Holding Companies: i) with respect to the Aggregate CM Land (excluding a prescribed area comprising approximately 55% of the area of the CMP Land ("Exchange Land")), the parties agreed that the New Land will be granted by QHSH to A2 Company, a wholly-owned subsidiary of Shenzhen China Merchants Qianhai Assets Development Co. Ltd. "(A1 Company"); and ii) in addition to the New Land, another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to the Exchange Land will be transferred to the Company and its subsidiaries. The exact location of the Dachan Bay Land and the transfer arrangement is subject to further agreement between SZPL, CMG, Antongjie and Ansujie.

   For reference purpose only, we are also instructed to value the New Land after the reclassification of land usage (excluding the Exchange Land) which will be granted to A2 Company. As advised by the Company, the proposed area and usage of these portions of new land are as below table.

Land Usage	**Site Area**	**Proposed Above-ground Gross Floor Area**	**Proposed Plot ratio**
	(sq.m.)	*(sq.m.)*	
Commercial and office composite	425,274.63	2,129,049.67	5.00

   In undertaking our valuation of New Land with site area of approximately 425,274.63 sq.m., there are also relevant land transaction comparables noted in the locality and so direct comparison approach was adopted in the valuation. We have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as use, site area, layout and accessibility of the property. The selected comparables are commercial and office composite use land which were transacted in 2018. The accommodation value of these comparable land sites ranges from RMB25,200 (equivalent to approximately HK$28,767) to RMB30,600 (equivalent to approximately HK$34,932) per sq.m. for commercial and office composite use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like size and layout, etc. and location is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date of these comparables and the valuation date is considered. Based on the information provided and the aforesaid valuation assumptions and consideration, we are of the opinion that the market value of the above-mentioned New Land with site area of approximately 425,274.63 sq.m. as at 31 December 2018 would be RMB53,541,000,000 (equivalent to approximately HK$61,119,863,000) assuming the reclassification of land usage has been completed, the Land Use Rights Certificates have been obtained and the land could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Antongjie is the owner of the land use rights for Lot No. T102-0167 and Ansujie is the owner of the land use rights for Lot No. T102-0166 of the property. Antongjie has not yet obtained the Land Use Rights Certificate for the land Lot Nos. 01-07-04 and 01-07-05;

   b. The Land Use Rights Grant Contract in relation to the New Land will be signed after the Land Restructuring Agreement come into force and the relevant agreements under the Land Restructuring Agreement have been complied. The site area of the New Land is approximately 425,300 sq.m. and the proposed gross floor area is approximately 2,129,000 sq.m. The final version of land coordinates, site area and planning index will be subject to the relevant clauses in Land Use Rights Grant Contract; and

   c. There is no material legal impediment for the land use rights' owner of the New Land in obtaining the Land Use Rights Certificate for the New Land after the Land Restructuring Agreement come into force and all the requisite procedures and/or obligations and/or permissions under the PRC laws and the Land Restructuring Agreement in relation to application for the Land Use Rights Certificate have been fulfilled.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in shares

Name of Director	Number of shares	Percentage of issued shares
Mr. FU Gangfeng	2,111 (Long position)	0.0001%
Mr. LEE Yip Wah Peter	209,376 (Long position)	0.0063%
Mr. LI Kwok Heem John	1,876,102 (Long position)	0.0563%
Total	2,087,589 (Long position)	0.0627%

(ii) Share Option Scheme

Nil

Other than the interest in shares as set out above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

(iii) Executive Positions

Nil

None of the Directors is a director or employee of a company which has, or is deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2017, being the date to which the last published audited consolidated accounts of the Group were made up.

4 SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5 COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business and there is no contract or arrangement subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the Group's business.

6 OTHER INTEREST

As at the Latest Practicable Date, none of the Directors nor any expert named in the paragraph headed "Qualification and Consent of Expert" in this appendix had any direct or indirect interest in any assets which had been, since 31 December 2017, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

7 QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts who have given its opinion or advice for the inclusion in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent property valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

Each of the experts named above did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2017, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8 MISCELLANEOUS

(i) The company secretary of the Company is Mr. Leung Chong Shun who is a practicing solicitor in Hong Kong.

(ii) The registered office of the Company is at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(iii) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iv) The English text of this circular shall prevail over the Chinese text.

9 DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Linklaters, 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day during the period of 14 days from the date of this circular:

(i) the Land Restructuring Agreement;

(ii) the Debt Confirmation Letter;

(iii) the Debt Confirmation Agreement;

(iv) the Debt Assignment Agreement;

(v) the Capital Increase Agreement;

(vi) the Equity Transfer Agreements;

(vii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;

(viii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 59 of this circular;

(ix) the property valuation report from the Independent Property Valuer in relation to the CMP Land interests held by Antongjie and Ansujie and the New Land after the Reclassification, the text of which is set out on pages I-1 to I-6 of this circular

(x) the written consent from each of the experts referred to under the paragraph "Qualification and Consent of Experts" in this appendix; and

(xi) a copy of this circular.

招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Merchants Port Holdings Company Limited (the "**Company**") will be held at Island Ballroom, Level 5, Island Shangri-La, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:30 a.m., on Monday, 25 February 2019 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** all of the below transactions relating to the disposal of various land interest in Qianhai, Shenzhen, be and are hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with any of the below transactions (including determining the exact location of the piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) ("**Dachan Bay Land**") and the relevant transferarrangement to the Company and its subsidiaries pursuant to the Land Restructuring Agreement (as defined below).

   (i) the land restructuring agreement dated 24 December 2018 entered into between Shenzhen Urban Planning, Land and Resources Commission (深圳市規劃和國土資源委員會), Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission (深圳市前海深港現代服務業合作區管理局), China Merchants Group Limited (招商局集團有限公司), Shenzhen Qianhai Pingfangyuanqu Development Company Limited (深圳市前海平方園區開發有限公司), Antongjie Port and Warehouse Services (Shenzhen) Company Limited (安通捷碼頭倉儲服務(深圳)有限公司) ("**Antongjie**"), Ansujie Port and Warehouse Services (Shenzhen) Company Limited (安速捷碼頭倉儲服務(深圳)有限公司) ("**Ansujie**"), Shenzhen China Merchants Shekou Asset Management Company Limited (深圳市招商局蛇口資產管理有限公司) ("**CMSA**"), China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司) ("**CMSK**"), a number of wholly-owned subsidiaries of CMSK ("**CMSK Subsidiaries**", together with Antongjie, Ansujie and CMSA and CMSK, the "**Land Holding Companies**") and Shenzhen China Merchants Qianhai Chidi Asset Company Limited (深圳市招商前海馳迪實業有限公司) ("**A2 Company**") (the "**Land Restructuring Agreement**") (a copy of which is produced to the meeting marked "**A**" and initialled by the chairman of this meeting for the purpose of identification);

(ii) the debt confirmation letter dated 24 December 2018 entered into between the Land Holding Companies and A2 Company (a copy of which is produced to the meeting marked "**B**" and initialled by the chairman of this meeting for the purpose of identification);

(iii) the debt confirmation agreement dated 11 January 2019 entered into between the Land Holding Companies and A2 Company (a copy of which is produced to the meeting marked "**C**" and initialled by the chairman of this meeting for the purpose of identification);

(iv) the debt assignment agreement dated 11 January 2019 entered into between Antongjie and CMSA (a copy of which is produced to the meeting marked "**D**" and initialled by the chairman of this meeting for the purpose of identification); and

(v) the capital increase agreement dated 11 January 2019 entered into between the Land Holding Companies and Shenzhen China Merchants Qianhai Assets Development Co. Ltd. (深圳市招商前海實業發展有限公司) (a copy of which is produced to the meeting marked "**E**" and initialled by the chairman of this meeting for the purpose of identification).

2. "**THAT** Mr. Xiong Xianliang be re-elected as an executive director of the Company."

By Order of the Board
China Merchants Port Holdings Company Limited
Fu Gangfeng
Chairman

Hong Kong, 1 February 2019

Registered Office:
38th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened pursuant to the above notice is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting. Please note that 23 February 2019 is not a working day in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on this day for physical delivery of the proxy form. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.

3. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 20 February 2019 to 25 February 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 19 February 2019.

4. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the extraordinary general meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The Chairman of the Meeting will therefore demand a poll for the resolutions put to the vote at the extraordinary general meeting pursuant to Article 54 of the Articles of Association.

5. As at the date of this circular, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.