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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.

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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 TRANSACTION
NON-ACCEPTANCE OF THE MANDATORY UNCONDITIONAL
CASH OFFER BY CICC ON BEHALF OF BROADFORD
TO ACQUIRE ALL THE ISSUED H SHARES IN DALIAN PORT
AND
(2) RE-ELECTION OF MR. GE LEFU**

**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 6 to 16 of this circular, a letter from the Independent Board Committee is set out on pages 17 to 18 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 19 to 46 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, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 October 2019 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. **Please refer to page 15 of this circular and the notes set out on page EGM-2 of this circular for bad weather arrangements if there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a “black” rainstorm warning signal in force on the day of the EGM.**

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.

11 October 2019

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bosera”	Bosera Asset Management Co., Ltd. (博時基金管理有限公司), a limited liability company established in the PRC and 49%-owned by CMS
“Broadford”	Broadford Global Limited (布羅德福國際有限公司), a company incorporated in Hong Kong with limited liability and is directly wholly-owned by China Merchants Holdings (Hong Kong) Company Limited and ultimately wholly-owned by CMG
“Business Day”	means a day on which the Stock Exchange is open for the transaction of business
“China Merchants Liaoning”	China Merchants (Liaoning) Port Development Company Limited (招商局(遼寧)港口發展有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Broadford and ultimately wholly-owned by CMG
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial advisor to Broadford in respect of the H Share Offer. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Closing Date”	28 October 2019, the closing date of the H Share Offer, which is 21 days after the date on which the Composite Document is posted, or if the H Share Offer is extended, any subsequent closing date of the H Share Offer as extended and announced by Broadford in accordance with the Takeovers Code

DEFINITIONS

“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
“CMPG”	China Merchants Port Group Co., Ltd.* (招商局港口集團股份有限公司), a company incorporated in the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange (Stock Code: 001872/201872), a substantial shareholder and a fellow subsidiary of the Company
“CMS”	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a limited liability company established in the PRC and a fellow subsidiary of the Company
“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
“Composite Document”	the composite document in relation to the H Share Offer dated 4 October 2019 jointly issued by Broadford and Dalian Port
“Connected Fund Managers”	Bosera, China Merchants Fund Management Co., Ltd. (招商基金管理有限公司), China Merchants Wealth 富資產管理有限公司 and CMS, which are persons presumed to be acting in concert with Broadford under class (1) of the definition of “acting in concert” under the Takeovers Code
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Dalian Port”	Dalian Port (PDA) Company Limited (大連港股份有限公司), a joint stock limited company established in the PRC whose H shares and A shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) respectively
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting to be convened and held by the Company to approve the Non-Acceptance and the re-election of director as set out in this circular
“Equity Transfer”	the transfer of 1.1% equity interest in Liaoning Port Group from Liaoning SASAC to China Merchants Liaoning for nil consideration
“ETF(s)”	exchange-traded fund(s)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the accompanying form of acceptance in respect of the H Share Offer which accompanies the Composite Document
“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
“H Share(s)”	H Share(s) of RMB1.00 each in the capital of Dalian Port which is/are listed and traded on the Stock Exchange
“H Share Offer”	the mandatory unconditional cash offer to be made by CICC, on behalf of Broadford, to acquire all the H (other than those already owned or agreed to be acquired by Broadford and parties acting in concert with it (but including the H Shares held by the Company through Team Able)) in accordance with the Takeovers Code
“H Share Offer Price”	HK\$1.0127 per H Share payable in cash by Broadford under the H Share Offer
“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 Ka Fai David and Mr. Bong Shu Ying Francis established to advise the Independent Shareholders in respect of the Non-Acceptance

DEFINITIONS

“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 Non-Acceptance
“Independent Shareholders”	the Shareholders other than CMG and its associates
“Joint Announcement”	the joint announcement issued by Broadford and Dalian Port on 4 June 2019, relating to, inter alia, (i) the Equity Transfer and (ii) the H Share Offer, pursuant to Rule 3.5 of the Takeovers Code
“Latest Practicable Date”	8 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Liaoning Gangwan”	Liaoning Gangwan Financial Holding Group Co., Ltd. (遼寧港灣金融控股集團有限公司), a limited liability company established in the PRC and indirectly owned by Liaoning Port Group as to approximately 45.93%
“Liaoning Port Group”	Liaoning Port Group Limited (遼寧港口集團有限公司), formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧省東北港航發展有限公司), a limited liability company established in the PRC
“Liaoning SASAC”	State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Acceptance”	the non-acceptance of the H Share Offer by the Company
“PDA”	Dalian Port Corporation Limited (大連港集團有限公司), the controlling shareholder of Dalian Port and a limited liability company established in the PRC and directly wholly-owned by Liaoning Port Group

DEFINITIONS

“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
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Team Able”	Team Able International Limited (群力國際有限公司), a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of the Company
“%”	per cent.

* For identification purpose only

For the purposes of this circular, the exchange rate of HK\$1.0 to RMB0.9 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.

LETTER FROM THE BOARD



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. Ge Lefu
Mr. WANG Zhixian
Mr. ZHENG Shaoping

Independent non-executive Directors:

Mr. KUT Ying Hay
Mr. LEE Yip Wah Peter
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

11 October 2019

To the Shareholders of the Company

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
NON-ACCEPTANCE OF THE MANDATORY UNCONDITIONAL
CASH OFFER BY CICC ON BEHALF OF BROADFORD
TO ACQUIRE ALL THE ISSUED H SHARES IN DALIAN PORT
AND
(2) RE-ELECTION OF MR. GE LEFU**

1 INTRODUCTION

Reference is made to the announcement made by the Company dated 20 September 2019 and the Composite Document published by Broadford and Dalian Port on 4 October 2019 in relation to the mandatory unconditional cash offer by CICC on behalf of Broadford to acquire all the issued H shares in Dalian Port (including all the H shares in Dalian Port held by the Company through its wholly-own subsidiary Team Able) at an offer price of HK\$1.0127 in cash for each H Share. Reference is also made to the announcement made by the Company dated 5 June 2019 in relation to the appointment of Mr. Ge Lefu as executive director of the Company.

LETTER FROM THE BOARD

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

- (i) further information regarding the details of the H Share Offer and the Company's decision for the Non-Acceptance;
- (ii) further information regarding the details of the re-election of Mr. Ge Lefu as executive director of the Company;
- (iii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Non-Acceptance;
- (iv) the letter from Somerley setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-Acceptance; and
- (v) the notice of the EGM at which ordinary resolutions will be proposed to approve the Non-Acceptance and the re-election of Mr. Ge Lefu as executive Director of the Company.

2 NON-ACCEPTANCE OF THE MANDATORY UNCONDITIONAL CASH OFFER BY CICC ON BEHALF OF BROADFORD TO ACQUIRE ALL THE ISSUED H SHARES IN DALIAN PORT

(I) Background

According to the Composite Document, CICC, on behalf of Broadford, is making the H Share Offer to acquire all outstanding H Shares (other than those already owned or agreed to be acquired by Broadford and parties acting in concert with it (but including the H Shares held by the Company through Team Able)) pursuant to Rule 26.1 of the Takeovers Code which was triggered as a result of completion the Equity Transfer.

According to the Composite Document, set out below is the shareholding structure of Dalian Port immediately after the completion of the Equity Transfer and as at the latest practicable date of the Composite Document.

LETTER FROM THE BOARD

Shareholders

	Number of A Shares	Number of H Shares	Total number of Shares	% of Shares held by the respective Shareholder
Broadford and its concert parties (excludes the Shares held by (i) CMS (involved in ETF market- making activities conducted by CMS in its capacity as qualified ETF market maker) and (ii) Bosera (involved in ETF investment activities conducted by Bosera in its capacity as manager of Bosera CSI 500 Index Exchange Traded Fund))				
PDA	5,310,255,162	722,166,000	6,032,421,162	46.7828
Liaoning Gangwan	68,309,590	0	68,309,590	0.5297
Team Able	0	2,714,736,000	2,714,736,000	21.0534
Connected Fund Managers	34,300	0	34,300	0.0003
Public shareholders	<u>2,357,220,948</u>	<u>1,721,813,999</u>	<u>4,079,034,947</u>	<u>31.6338</u>
Total	<u>7,735,820,000</u>	<u>5,158,715,999</u>	<u>12,894,535,999</u>	<u>100</u>

On 20 September 2019, the Company decided that based on the then available information, it is the preliminary view of the Company that it will not accept the H Share Offer. After taking into account the information set out in the Composite Document, the Company confirmed its decision that it will not accept the H Share Offer.

(II) The H Share Offer

According to the Composite Document, the H Share Offer is made on the following basis:

Principal terms of the H Share Offer

For each H Share HK\$1.0127 in cash

As at the Latest Practicable Date, the Company held 2,714,736,000 H Shares, representing approximately 21.05% of the total issued share capital of Dalian Port, through Team Able. Based on the H Share Offer Price of HK\$1.0127 per H Share, the total consideration of the H Share Offer payable to the Company would be HK\$2,749,213,147.20, assuming full acceptance.

The H Share Offer is unconditional and is therefore not conditional upon any minimum level of acceptance being received nor subject to any other conditions.

LETTER FROM THE BOARD

Basis of the H Share Offer Price

According to the Composite Document, the H Share Offer Price was determined with reference to the weighted average trading price of the H Shares as at 31 May 2019, after communication with the Executive.

Hong Kong stamp duty

Based on the Composite Document, seller's Hong Kong ad valorem stamp duty under the H Share Offer at a rate of 0.1% of the market value of H Shares or consideration payable by Broadford in respect of the relevant acceptances of the H Share Offer, whichever is higher, will be deducted from the amount payable to the Company on acceptance of the H Share Offer. Broadford will arrange for payment of the seller's ad valorem stamp duty on behalf of Team Able (assuming full acceptance) and the buyer's ad valorem stamp duty, in each case, in connection with the acceptance of the H Share Offer and the transfer of H Shares.

Payment

Based on the Composite Document, payment in cash in respect of acceptances of the H Share Offer will be made as soon as possible but, in any event, within seven business days (as defined in the Takeovers Code) of the date of receipt of a duly completed Form of Acceptance by Team Able.

Closing Date

Based on the Composite Document, unless the H Share Offer is extended by Broadford, the closing date of the H Share Offer is 28 October 2019.

Acceptance of the H Share Offer will be treated as valid only if, among others, the duly completed and signed Form of Acceptance is received by the H Share registrar and transfer office of Dalian Port by no later than 4:00 p.m. on the Closing Date or such later time and/or date as Broadford may determine and Broadford and the Company may jointly announce with the consent of the Executive, in accordance with the Takeovers Code.

(III) Financial Information and Background of Dalian Port

Dalian Port is a joint stock limited company established in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) since 2006 and 2010, respectively. The Dalian Port Group is principally engaged in the following businesses: oil/liquefied chemicals terminal and related logistics services (Oil Segment); container terminal and related logistics services (Container Segment); automobile terminal and related logistics services and trading services (Automobile Terminal Segment); bulk and general cargo terminal and related logistics services

LETTER FROM THE BOARD

and trading services (General Cargo Segment); bulk grain terminal and related logistics and trading services (Bulk Grain Segment); passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and port value-added services and ancillary port operations (Value-added Services Segment).

Based on the interim results announcement of Dalian Port for the six months ended 30 June 2019, which was published on 27 August 2019, the unaudited total assets of Dalian Port and unaudited net assets value of Dalian Port as at 30 June 2019 amounted to approximately RMB36.30 billion (equivalent to approximately HK\$40.30 billion) and approximately RMB21.00 billion (equivalent to approximately HK\$23.30 billion), respectively.

The net profits (both before and after taxation) for the two financial years ended 31 December 2017, 2018 based on the annual report of Dalian Port for the year ended 31 December 2017 and the annual report of Dalian Port for the year ended 31 December 2018 and the net profits (both before and after taxation for the six months ended 30 June 2019 based on the interim results announcement of Dalian Port are as follows:

	Year ended 31 December 2017 (Audited) <i>RMB million</i>	Year ended 31 December 2018 (Audited) <i>RMB million</i>	6 months ended 30 June 2019 (Unaudited) <i>RMB million</i>
Profit before taxation	727 (equivalent to approximately HK\$808 million)	875 (equivalent to approximately HK\$972 million)	455 (equivalent to approximately HK\$506 million)
Profit after taxation	574 (equivalent to approximately HK\$638 million)	682 (equivalent to approximately HK\$758 million)	354 (equivalent to approximately HK\$393 million)

(IV) Information on the Parties

Information on Broadford

Broadford is a limited liability company incorporated in Hong Kong in November 2017. As at the Latest Practicable Date, Broadford is directly wholly-owned by China Merchants Holdings (HK) and ultimately wholly-owned by CMG. Broadford is the controlling shareholder of CMPG which in turn consolidates the Company as its subsidiary. Broadford is one of the investment platforms of CMG in relation to the operation of CMG's port related business.

LETTER FROM THE BOARD

Information on Team Able

Team Able is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. Its principal business is an investment holding company holding the Group's interests in Dalian Port.

Information on Liaoning Port Group

Liaoning Port Group is a limited liability company established in the PRC which is owned as to 49% by the Liaoning SASAC and 51% by China Merchants Liaoning as at the Latest Practicable Date. The principal activities of Liaoning Port Group are investment holding on port related activities.

Information on China Merchants Liaoning

China Merchants Liaoning is a limited liability company established in the PRC which is indirectly wholly-owned by Broadford and ultimately wholly-owned by CMG as at the Latest Practicable Date. China Merchants Liaoning is a comprehensive platform for investments in port related activities and logistics services, and it also serves as a platform for the provision of information technology services to Liaoning Port Group.

(V) Financial Effects and Use of Proceeds if the H Share Offer is Accepted

Financial Effects

There will not be any financial effect on the Company if the Company does not accept the H Share Offer.

However, if the resolution in relation to the Non-Acceptance is not approved at the EGM, the Company will accept the H Share Offer. Under this circumstance, the Group is expected to record a loss of approximately RMB0.95 billion (equivalent to approximately HK\$1.06 billion) in its consolidated statement of profit or loss for the year ending 31 December 2019 calculated based on, among other factors, the H Share Offer Price, the equity value attributable to the shareholder of Dalian Port as at 30 June 2019, subject to the changes in equity attributable to the shareholders of Dalian Port in respect of the H Shares during the period from (and including) 1 July 2019 to (and including) the date of the completion of the H Share Offer.

Use of Proceeds if the H Share Offer is accepted

As the Company's decision is not to accept the H Share Offer, the Company, as at the Latest Practicable Date, has no specific plans for the proceeds from the acceptance of the H Share Offer. In the scenario that the Company accepts the H Share Offer if the resolution in relation to the Non-Acceptance is not approved at the EGM, the total consideration payable to the Company under the H Share Offer would be

LETTER FROM THE BOARD

HK\$2,749,213,147.20 (before the deduction of seller's stamp duty). The entire amount of the proceeds of the acceptance of the H Share Offer will be used for general working capital and to fund possible future investment opportunities of the Company.

(VI) Reasons for the Non-Acceptance of the H Share Offer

The Company's decision to not accept the H Share Offer is for the following reasons:

1. Acceptance of the H Share Offer may result in a significant loss for the Company

The original acquisition costs payable by the Company for the Company's interests in Dalian Port was approximately HK\$4.33 billion. As at 31 December 2018, the book value of the shares of Dalian Port held by the Company was approximately RMB3.20 billion (equivalent to approximately HK\$3.60 billion). According to the interim results announcement published by Dalian Port, the amount of total equity value attributable to the shareholders of Dalian Port as at 30 June 2019 was RMB18.35 billion (equivalent to approximately HK\$20.39 billion). Since the Company is interested in 21.05% of the total issued shares in Dalian Port, approximately RMB3.86 billion (equivalent to approximately HK\$4.29 billion) of total equity value is attributable to the Company.

Based on the H Share Offer Price of HK\$1.0127 per H Share, if the Company accepts the H Share Offer, the total consideration payable to the Company would be HK\$2,749,213,147.20 (before the deduction of seller's stamp duty).

As a result, the Company's acceptance of the H Share Offer will result in an investment loss of approximately RMB0.95 billion (equivalent to approximately HK\$1.06 billion) calculated based on the book value of the shares of Dalian Port held by the Company or, result in a loss of RMB1.44 billion (equivalent to approximately HK\$1.6 billion) calculated based on the total equity value attributable to Company as a shareholder of Dalian Port.

2. Acceptance of the H Share Offer will not benefit the global port investment network of Company

The principal business of the Group is port and port-related business. The Group's business operations mainly comprise of port operations (e.g. container terminal operations, bulk and general cargo terminal operations) and bonded logistec operations (e.g. logistics park operation, ports transportation and airport cargo handling) which are operated by the Group and its associates and joint ventures.

Dalian Port is the most important hub port in Northeast China and one of the industry centers in Northeast Asia. It plays an important role in the global network of the Company. If the H Share Offer is accepted, the Company will lose the investment relationship with Dalian Port, which will adversely affect the global port network system.

LETTER FROM THE BOARD

3. Acceptance of the H Share Offer will result in the Company losing the opportunity to benefit from the potential growth of Dalian Port

According to the Composite Document, the Equity Transfer in relation to Dalian Port forms part of the PRC government's series of strategic initiatives for the revitalization of the coastal economic zone of Liaoning Province through the integration of port management in Liaoning Province. The Company is of the view that such strategic initiatives will benefit Dalian Port's future development. If the H Share Offer is accepted, the Company will lose the opportunity to enjoy the economic benefits resulting from the potential growth of Dalian Port as a result of the series of strategic initiatives proposed by the PRC Government.

Taking into considerations of the reasons set out above, the Directors, (including the independent non-executive Directors) are of the view that the Non-Acceptance is in the interests of the Company and its shareholders 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 Non-Acceptance nor are they required to abstain from voting on the relevant board resolutions.

(VII) Listing Rules Implications

As Broadford is an indirect controlling shareholder of the Company, it is therefore a connected person of the Company. Accordingly, the acceptance or non-acceptance of the H Share Offer constitutes a connected transaction of the Company.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the acceptance or non-acceptance are more than 5% but less than 25%, the acceptance or non-acceptance constitutes 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.

3 RE-ELECTION OF MR. GE LEFU

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

Mr. Ge Lefu was appointed as executive director of the Company with effect from 5 June 2019 to fill a causal vacancy of directorship. Therefore, pursuant to article 95 of the Articles of Association, Mr. Ge Lefu shall retire from office at the EGM and shall be eligible and offer himself for re-election.

LETTER FROM THE BOARD

Mr. Ge Lefu, aged 56, is the Supervisor of Liaoning Port Group Co., Ltd.. He graduated from Dongbei University of Finance & Economics with a master's degree and a doctorate degree in financial studies in July 1988 and March 2001, respectively. Prior to joining the Company, he was previously a teaching assistant at the Dalian Vocational Technical College, the Deputy Director and a member of the Party Leadership Group of Dalian Municipal Bureau of Finance, the Director of the General Office of Municipal Financial Management of Dalian, the Director and the Party Secretary of the Leadership Group of Government Financial Management of Liaoning Province, the Deputy Party Secretary of Yingkou Municipal Committee, the Acting Mayor and the Mayor of Yingkou City, the Party Secretary of Leadership Group and the Director General of Liaoning Provincial Department of Transportation.

Mr. Ge Lefu's directorship with the Company is subject to retirement pursuant to the Articles of Association. Mr. Ge Lefu is an Executive Director of the Company. As at the Latest Practicable Date, Mr. Ge Lefu 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). Pursuant to an employment service contract entered into between the Company and Mr. Ge Lefu, Mr. Ge Lefu is entitled to an annual salary of HK\$1.49 million. 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 5 June 2019. Mr. Ge Lefu 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 re-election of Mr. Ge Lefu 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. Ge Lefu is in the best interest of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favour of all related resolutions to be proposed at the EGM.

4 EGM

The EGM will be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 October 2019 at 9:30 a.m.. At the EGM, ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Non-Acceptance and the re-election of Mr. Ge Lefu as executive director of the Company. In the event that the resolution in relation to the Non-Acceptance is not passed at the EGM, the Company will consider that the Shareholders have, by a majority vote, approved the acceptance of the H Share Offer.

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 resolution approving the Non-Acceptance at the EGM. To the best of the Company's knowledge, no other shareholder is required to abstain from voting on the ordinary resolution approving the Non-Acceptance at the EGM.

LETTER FROM THE BOARD

To ascertain the Shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 24 October 2019 to 28 October 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 23 October 2019.

If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal in force at 9:00 a.m. on 28 October 2019:

- a. but no longer in force after 12:00 noon on 28 October 2019, the EGM will be postponed to 2:00 p.m. on the same day and will be held at the registered office of the Company at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong; or**
- b. and remain in force after 12:00 noon on 28 October 2019, the EGM will be rescheduled to 9:30 a.m. on the following Business Day at the registered office of the Company and will be held at the registered office of the Company at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.**

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 Non-Acceptance. Somerley considers that the Non-Acceptance of the H Share Offer, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole and is 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 recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Non-Acceptance.

Having considered the advice from Somerley which are set out on pages 19 to 46 of this circular and the reasons set out in the paragraph headed "*Reasons for the Non-Acceptance of the H Share Offer*", the Independent Board Committee concurs with the views of Somerley and the Board and also considers that although the H Share Offer is on normal commercial terms, the Non-Acceptance of the H Share Offer, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole and is 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 resolution to be proposed at the EGM to approve the Non-Acceptance.

LETTER FROM THE BOARD

6 ADDITIONAL INFORMATION

Your attention is also drawn to the letter of the Independent Board Committee set out on pages 17 to 18 of this circular, the letter from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Non-Acceptance set out on pages 19 to 46 of this circular, 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

11 October 2019

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
NON-ACCEPTANCE OF THE MANDATORY UNCONDITIONAL
CASH OFFER BY CICC ON BEHALF OF BROADFORD
TO ACQUIRE ALL THE ISSUED H SHARES IN DALIAN PORT**

INTRODUCTION

We refer to the circular dated 11 October 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 Non-Acceptance. The Independent Board Committee was set up to advise whether, in its view, the Non-Acceptance is 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 resolution to be proposed at the EGM to approve the Non-Acceptance.

The terms of the H Share Offer are summarised in the “Letter from the Board” set out on pages 6 to 16 of the Circular. In addition, the Independent Board Committee has been advised by Somerley in considering the terms of the H Share Offer. 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 19 to 46 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Non-Acceptance. We have also discussed with Somerley the basis upon which its advice has been given to us.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the recommendation of Somerley and the reasons set out in the “Letter from the Board” in the Circular, the Independent Board Committee considers that although the H Share Offer is on normal commercial terms, the Non-Acceptance of the H Share Offer as described in the “Letter from the Board” in the Circular, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole and is 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 resolution to be proposed at the EGM to approve the Non-Acceptance, as detailed in the notice of the EGM set out on pages EGM-1 to EGM-2 of the Circular.

Yours faithfully,
The Independent Board Committee

Mr. Kut Ying Hay
Independent non-executive Director

Mr. Lee Yip Wah Peter
Independent non-executive Director

Mr. Li Ka Fai David
Independent non-executive Director

Mr. Bong Shu Ying Francis
Independent non-executive Director

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Non-Acceptance, 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

11 October 2019

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

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
NON-ACCEPTANCE OF
THE MANDATORY UNCONDITIONAL CASH OFFER
BY CICC ON BEHALF OF BROADFORD
TO ACQUIRE ALL THE ISSUED H SHARES IN DALIAN PORT**

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 Non-Acceptance. Details of the H Share Offer are set out in the joint announcement published by Broadford and Dalian Port dated 4 June 2019 (the “**Joint Announcement**”) and the Composite Document in relation to, among others, the H Share Offer. Details of the Non-Acceptance are set out in the circular issued by the Company to the Shareholders dated 11 October 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.

On 4 June 2019, Dalian Port and Broadford jointly announced that, on 31 May 2019, Liaoning SASAC and China Merchants Liaoning, an indirectly wholly-owned subsidiary of Broadford, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which and subject to satisfaction (or waiver, where applicable) of the conditions precedent and completion conditions of the Equity Transfer Agreement, Liaoning SASAC agreed to transfer 1.1% equity interest in Liaoning Port Group to China Merchants Liaoning. Upon completion of the Equity Transfer, China Merchants Liaoning will own 51% equity interest in Liaoning Port Group, thus Broadford and parties acting in concert with it will be

LETTER FROM SOMERLEY

indirectly interested in approximately 68.37% of the total issued share capital of Dalian Port. As a result of the Equity Transfer, pursuant to Rule 26.1 of the Takeovers Code, Broadford and parties acting in concert with it are required to make a mandatory unconditional cash offer (i.e. the H Share Offer) as a result of the Equity Transfer for all outstanding H Shares (other than those already owned or agreed to be acquired by Broadford and parties acting in concert with it (but including the H Shares indirectly held by the Company through Team Able) at HK\$1.0127 in cash for each H Share (i.e. the H Share Offer Price).

On 30 September 2019, all the conditions precedent and completion conditions of the Equity Transfer had been satisfied and the Equity Transfer was completed. The H Share Offer became unconditional. The H Share Offer is not conditional upon any minimum level of acceptance being received nor subject to any other conditions.

As at the Latest Practicable Date, the Company held 2,714,736,000 H Shares, representing approximately 21.05% of the total issued share capital of Dalian Port, through Team Able. Based on the H Share Offer Price of HK\$1.0127 per H Share, the total consideration of the H Share Offer payable to the Company would be approximately HK\$2,749.2 million (before deduction of seller's stamp duty), assuming full acceptance. On 20 September 2019, the Company decided that based on the currently available information, it is the preliminary view of the Company that it will not accept the H Share Offer. After taking into account the information set out in the Composite Document, the Company confirmed its decision that it will not accept the H Share Offer.

As Broadford is an indirect controlling shareholder of the Company, it is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Non-Acceptance constitutes a connected transaction of the Company. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Non-Acceptance are more than 5% but all of them are less than 25%, the Non-Acceptance constitutes a discloseable and connected transaction of the Company, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements pursuant to the Listing Rules.

CMG is the ultimate holding company of the Company and is considered to have material interests under the Non-Acceptance. CMG, together with its associates, is required to abstain from voting on the resolution to be proposed at the EGM to approve the Non-Acceptance. For the avoidance of doubt, if the resolution in relation to the Non-Acceptance is not approved in the EGM, the Company will accept the H Share Offer.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis, has been established to advise the Independent Shareholders on the terms of the Non-Acceptance and to make recommendation as to voting. 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.

LETTER FROM SOMERLEY

During the past two years, we have, on two occasions acted as an independent financial adviser to the Company in relation to (i) a disposal of interest in an A-share listed subsidiary and related transaction and an acquisition of a port in Newcastle (circular dated 1 March 2018); and (ii) a disposal of various land interest in Qianhai and related transactions (circular dated 1 February 2019). 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, Dalian Port, Broadford, CMG or their respective core connected persons, close associates or associates (all as defined under the Listing Rules) 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, Dalian Port, Broadford, CMG or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the Joint Announcement, the annual reports of the Company for the year ended 31 December 2017 and 2018 (the “**CMP 2018 Annual Report**”), the interim report of the Company for the six months ended 30 June 2019 (the “**CMP 2019 Interim Report**”), the annual report of Dalian Port for the year ended 31 December 2018 (the “**Dalian Port 2018 Annual Report**”), the interim results announcement of Dalian Port for the six months ended 30 June 2019 (the “**Dalian Port 2019 Interim Report**”) and the information as set out in the Circular and the Composite Document. We have also discussed with the management of the Group the future prospects of the business of the Group and Dalian Port.

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 or Dalian Port, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Business and financial information of the Group

(a) Business of the Group

The Group is a global port developer, investor and operator, with a ports network at the hub locations along coastal China as well as South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others. The principal business of the Group is ports and port-related business.

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 and it 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 below is a summary of the total container throughput and bulk cargo volume handled by the ports operated by the Group for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019.

Container throughput (in million twenty-foot equivalent unit ("TEU")):	For the six months		For the year	
	ended 30 June		ended 31 December	
	2019	2018	2018	2017
– Ports in Mainland China	40.5	40.0	80.7	77.1
– Ports in Hong Kong and Taiwan	3.6	3.7	7.7	7.5
– Ports in overseas	10.5	10.1	20.7	18.3
Total	54.6	53.8	109.1	102.9

LETTER FROM SOMERLEY

Bulk cargo volume handled: (in million tonnes)	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
– Ports in Mainland				
China	220	247	497	502
– Other ports	3	3	5	5
Total	<u>223</u>	<u>250</u>	<u>502</u>	<u>507</u>

(b) Financial performance of the Group

Set out in the table below is a summary of the Group's financial performance prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019.

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(HK\$ million)</i>			
Revenue	4,464	5,560	10,160	8,692
Cost of sales	<u>(2,507)</u>	<u>(3,032)</u>	<u>(5,771)</u>	<u>(5,251)</u>
Gross profit	1,957	2,528	4,389	3,441
Other income and other gains, net	6,373	4,062	3,391	870
Administrative expenses	(635)	(777)	(1,766)	(1,170)
Net finance costs	(889)	(737)	(1,590)	(1,168)
Share of profit less losses of associates	1,824	1,644	4,323	5,087
Share of profit less losses of joint ventures	<u>269</u>	<u>251</u>	<u>503</u>	<u>385</u>
Profit before taxation	8,899	6,971	9,250	7,445
Taxation	<u>(2,109)</u>	<u>(1,058)</u>	<u>(1,295)</u>	<u>(744)</u>
Profit for the period/year	<u>6,790</u>	<u>5,913</u>	<u>7,955</u>	<u>6,701</u>
Profit attributable to the equity holders of the Company	<u>6,529</u>	<u>5,448</u>	<u>7,245</u>	<u>6,028</u>

LETTER FROM SOMERLEY

For the year ended 31 December 2018, the revenue of the Group increased to approximately HK\$10,160 million from approximately HK\$8,692 million for the year ended 31 December 2017. The increase was mainly due to the contribution from the new acquisition projects and a rise in business volume. Profit attributable to the equity holders of the Company amounted to HK\$7,245 million, up approximately 20.2% over the previous year. The change in the financial results was attributable to, among other things, a gain of HK\$3,733 million (net of tax) recognised from the disposal of the Group's equity interest in Shenzhen Chiwan Wharf Holdings Limited (the “**Shenzhen Chiwan Wharf Disposal**”) during the year ended 31 December 2018 and the reduction in the fair value of financial assets at fair value through profit or loss, net of deferred tax, of approximately HK\$1,008 million under new accounting standards for financial instrument. The Group's container throughput increased by approximately 6.0% to approximately 109.1 million TEUs and bulk cargo volume handled decreased slightly by 1.0% to approximately 502 million tonnes for the year ended 31 December 2018. The overall enhancement was mainly driven by the steady recovery of the economy and the growth of import and export in the PRC.

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$4,464 million, representing a year-on-year decrease of approximately 19.7% compared with that of approximately HK\$5,560 million for the corresponding period in 2018. The drop was mainly due to completion of the Shenzhen Chiwan Wharf Disposal in June 2018. Nevertheless, the profit attributable to equity holders of the Company amounted to approximately HK\$6,529 million, representing an increase of approximately 19.8% compared with that for the corresponding period in 2018 of approximately HK\$5,448 million. The improvement was mainly attributable to the gain of approximately HK\$3,281 million (net of tax) recognised by the Group for the disposal of land parcels in Qianhai (the “**Qianhai Land Disposal**”). As stated in the CMP 2019 Interim Report, the recurrent profit of the Group for the six months ended 30 June 2019 decreased by approximately 5.8% to approximately HK\$2,045 million from approximately HK\$2,171 million for the corresponding period in 2018. The container throughput of the Group for the six months ended 30 June 2019 recorded a year-on-year increase of approximately 1.5% to approximately 54.6 TEUs while the bulk cargo volume handled by the Group during the period decreased by approximately 10.8% to approximately 223 million tonnes, mainly due to decrease in bulk cargo volume handled by the ports in Mainland China.

LETTER FROM SOMERLEY

(c) *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 31 December 2017 and 2018 and 30 June 2019.

	As at 30 June 2019	As at 31 December 2018 (HK\$ million)	2017
ASSETS			
Non-current assets			
Property, plant and equipment	23,271	29,212	30,880
Interests in associates and joint ventures	58,705	57,780	53,064
Others	47,602	42,146	34,955
	129,578	129,138	118,899
Current assets			
Cash and bank balances	6,771	7,175	9,247
Others	11,606	3,492	3,805
	18,377	10,667	13,052
Non-current assets held for sale	131	132	–
Total assets	<u>148,086</u>	<u>139,937</u>	<u>131,951</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company	78,177	75,321	73,447
Non-controlling interests	12,739	12,683	16,194
	90,916	88,004	89,641
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	32,075	33,622	22,292
Other non-current liabilities	7,095	5,806	1,851
Deferred tax liabilities and lease liabilities	4,753	3,354	2,638
	43,923	42,782	26,781
Current liabilities			
Creditors and accruals	3,558	3,684	8,999
Bank and other borrowings	5,856	5,234	6,268
Others	3,833	233	262
	13,247	9,151	15,529
Net current assets/(liabilities)	<u>5,261</u>	<u>1,648</u>	<u>(2,477)</u>
Total equity and liabilities	<u>148,086</u>	<u>139,937</u>	<u>131,951</u>

LETTER FROM SOMERLEY

As at 30 June 2019, total assets of the Group were approximately HK\$148,086 million, representing an increase of approximately 5.9% from that as at 31 December 2018, which was chiefly attributable to the debt receivables recognised from the Qianhai Land Disposal during the first half of 2019. The Group had a significant portion, around 39.6%, of its total assets as at 30 June 2019 represented by interests in associates and joint ventures, which mainly included Shanghai International Port (Group) Co., Ltd. and the port at Newcastle in Australia. Property, plant and equipment accounted for approximately 15.7% of the Group's total assets as at 30 June 2019, representing a decrease of approximately 20.3% from that as at 31 December 2018 as a result of the reclassification of land use rights of approximately HK\$6,296 million due to the change in accounting standard in relation to lease transactions.

Net asset value (“NAV”) attributable to the equity holders of the Company was approximately HK\$78,177 million as at 30 June 2019, representing an increase of approximately 3.8% from that as at 31 December 2018. The enhancement in the NAV was mainly due to the recognition of the profit for the six months ended 30 June 2019 after payment of dividend.

As at 31 December 2018, the Group managed to turn to net current asset of approximately HK\$1,648 million from net current liability of approximately HK\$2,477 million as at 31 December 2017. The Group further enhanced its working capital position to approximately HK\$5,261 million as at 30 June 2019, mainly attributable to the gain from the Qianhai Land Disposal and the profits derived from its core ports operations.

2. Information on the Dalian Port Group

(a) Business of the Dalian Port Group

Dalian Port is a company established in the PRC whose A shares and H Shares are listed on the Shanghai stock exchange (A share stock code: 601880) and the Stock Exchange (H Share stock code: 2880) respectively. According to the Dalian Port 2018 Annual Report, Dalian Port is principally engaged in oil/liquefied chemicals terminal and related logistics services (the “**Oil Segment**”), container terminal and related logistics services (the “**Container Segment**”), automobile terminal and related logistics and trading services (the “**Automobile Terminal Segment**”), bulk and general cargo terminal and related logistics and trading services (the “**General Cargo Segment**”), bulk grain terminal and related logistics and trading services (the “**Bulk Grain Segment**”) and passenger and roll-on, roll-off terminal and related logistics services (the “**Passenger and Ro-Ro Segment**”). It also engages in port value-added services and ancillary port operations (the “**Value-added Services Segment**”). As the consolidated operational platform for port and logistics services in Dalian port, Dalian Port and its subsidiaries (the “**Dalian Port Group**”) are the biggest comprehensive port operator in three northeastern provinces of China (collectively, Heilongjiang Province, Jilin Province and Liaoning Province).

LETTER FROM SOMERLEY

Set out below is a summary of the total oil/liquefied chemicals, container, vehicles, bulk and general cargo, bulk grain and passenger and roll-on roll-off throughput handled by the ports operated by the Dalian Port Group for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 as disclosed in the Dalian Port 2018 Annual Report and the Dalian Port 2019 Interim Report respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
Oil/liquefied chemicals throughput in the Oil Segment (in million tonnes):	29.5	27.1	58.1	60.5
Container throughput in the Container Segment (in million TEUs):	5.1	5.5	11.1	10.8
Vehicles throughput in the Automobile Terminal Segment (in million units):	0.4	0.4	0.8	0.7
Bulk and general cargo throughput handled in the General Cargo Segment (in million tonnes):	30.2	30.1	68.4	59.8
Bulk grain throughput handled in the Bulk Grain Segment (in million tonnes):	2.1	3.0	5.9	6.2
Passenger and roll-on roll-off throughput handled in the Passenger and Ro-Ro Segment (in million persons and vehicles):	2.3	2.4	4.9	4.8

Based on the CMP 2018 Annual Report, the Dalian Port Group accounted for approximately 53.5% in container throughput and approximately 64.9% in bulk cargo throughput of the ports owned by the Group in Bohai Rim region, one of the five major regions of the Group's port operation in Mainland China, for the year ended 31 December 2018. As compared to the Group's overall port operation in Mainland China, the Dalian Port Group accounted for around 12.6% to 28.7% of the corresponding operating metrics of the Group in Mainland China for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019.

LETTER FROM SOMERLEY

(b) Financial performance of the Dalian Port Group

Set out below is a summary of financial performance of the Dalian Port Group prepared in accordance with China Accounting Standard for Business Enterprises (the “CASBE”) for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 as extracted from the Dalian Port 2018 Annual Report and the Dalian Port 2019 Interim Report respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(RMB million)</i>			
Revenue				
– the Oil Segment	869.0	579.8	1,195.1	2,568.1
– the Container Segment	1,330.4	1,706.2	2,765.2	2,324.7
– the Automobile Terminal Segment	6.1	231.7	234.3	1,728.7
– the General Cargo Segment	425.5	436.3	974.8	701.2
– the Bulk Grain Segment	69.0	172.8	389.3	493.1
– the Passenger and Ro-Ro Segment	83.5	75.6	177.3	163.1
– Value-added Services Segment	402.3	407.4	931.2	955.2
– Others	36.2	41.4	87.2	97.5
	<u>3,222.0</u>	<u>3,651.2</u>	<u>6,754.4</u>	<u>9,031.6</u>
Gross profit/(loss)				
– the Oil Segment	321.4	167.9	307.4	503.0
– the Container Segment	343.7	326.4	705.1	441.1
– the Automobile Terminal Segment	(0.1)	6.7	9.2	36.8
– the General Cargo Segment	70.0	101.3	260.3	82.4
– the Bulk Grain Segment	(14.0)	(2.2)	(12.0)	35.6
– the Passenger and Ro-Ro Segment	19.3	21.6	53.7	47.2
– Value-added Services Segment	118.6	140.4	296.2	297.1
– Others	22.6	5.5	(7.2)	20.2
	<u>881.5</u>	<u>767.6</u>	<u>1,612.7</u>	<u>1,463.4</u>
General and administrative expenses	(324.7)	(331.8)	(690.3)	(653.8)
Financial expenses	(288.0)	(177.4)	(288.3)	(639.9)
Investment income	184.4	91.0	280.5	542.6
Others	(0.5)	(18.2)	(55.2)	(1.0)
	<u>452.7</u>	<u>331.2</u>	<u>859.4</u>	<u>711.3</u>
Operating profit				
Non-operating income and expenses	<u>2.3</u>	<u>6.4</u>	<u>16.1</u>	<u>15.9</u>

LETTER FROM SOMERLEY

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(RMB million)</i>			
Total profit	455.0	337.6	875.5	727.2
Income tax expenses	<u>(101.2)</u>	<u>(89.2)</u>	<u>(193.5)</u>	<u>(152.9)</u>
Net profit	<u>353.8</u>	<u>248.4</u>	<u>682.0</u>	<u>574.3</u>
Net profit attributable to shareholders of Dalian Port	<u>288.2</u>	<u>176.2</u>	<u>523.3</u>	<u>500.8</u>

The Dalian Port Group's revenue has been substantially derived from the Container Segment, the Oil Segment, the General Cargo Segment and the Value-added Services Segment. During the year ended 31 December 2018, the Dalian Port Group's revenue amounted to approximately RMB6,754.4 million, representing a decrease of approximately 25.2% compared with the revenue for the year ended 31 December 2017 of approximately RMB9,031.6 million. The decline was mainly due to the reduction in revenue of approximately 53.5% in the Oil Segment from approximately RMB2,568.1 million for the year ended 31 December 2017 to approximately RMB1,195.1 million for the year ended 31 December 2018 as a result of the combination of the contraction of the oil trading services business and the decrease in oil business of the Dalian Port following the decrease in the crude oil throughput for the year ended 31 December 2018. The decline in the Dalian Port Group's revenue in 2018 was also due to the decrease in revenue contributed by the Automobile Terminal Segment, which dropped from approximately RMB1,728.7 million for the year ended 31 December 2017 to approximately RMB234.3 million for the year ended 31 December 2018, as the Dalian Port Group disposed of its controlling interest in a major operating subsidiary in the Automobile Terminal Segment in June 2018. Despite the decrease in revenue, the Dalian Port Group recorded an operating profit of approximately RMB859.4 million for the year ended 31 December 2018, representing an increase of approximately 20.8% from approximately RMB711.3 million for the year ended 31 December 2017. The rise in operating profit was chiefly attributable to the increase in the gross margin as a result of the consolidation of container terminals and improvement of the ore mixing business which have higher gross margins and decrease in trading activities which command a lower gross margin. The net profit attributable to shareholders of Dalian Port for the year ended 31 December 2018 was approximately RMB523.3 million, representing an increase of approximately 4.5% from approximately RMB500.8 million for the year ended 31 December 2017. The relatively lower growth in the net profit attributable to shareholders of Dalian Port was mainly due to the increase in income tax expenses of approximately 26.6% from approximately RMB152.9 million for the year ended 31 December 2017 to approximately RMB193.5 million for the year ended 31 December 2018 and the higher profit attributable to the minority interests of the Dalian Port Group for the year ended 31 December 2018.

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For the six months ended 30 June 2019, the Dalian Port Group recorded a revenue of approximately RMB3,222.0 million, representing a decrease of approximately 11.8% compared with that of approximately RMB3,651.2 million for the corresponding period in 2018. The decline was mainly due to the decrease in revenue from the Container Segment from approximately RMB1,706.2 million for the six months ended 30 June 2018 to approximately RMB1,330.4 million for the six months ended 30 June 2019 as a result of the structural adjustments undertaken by the Dalian Port Group in relation to controlling risks and boosting trading business quality and profitability. Despite the decrease in revenue during the period, the Dalian Port Group recorded a year-on-year increase in operating profit of approximately RMB121.5 million from approximately RMB331.2 million for the six months ended 30 June 2018 to approximately RMB452.7 million for the six months ended 30 June 2019. The enhancement of operating profit was mainly driven by (i) increase in gross profit as a result of the growth of crude oil storage business with high gross profit margin, shrinkage of trading business with low gross profit margin and reduction of rental costs due to the implementation of the new leasing standard; and (ii) increase in investment income due to the growth of crude oil storage and liquefied natural gas business. The profit attributable to shareholders of Dalian Port for the six months ended 30 June 2019 was approximately RMB288.2 million, representing an increase of approximately RMB112.0 million from approximately RMB176.2 million for the corresponding period in 2018.

(c) Financial position of the Dalian Port Group

Set out below is a summary of financial position of the Dalian Port Group prepared in accordance with the CASBE as at 31 December 2017 and 2018 and 30 June 2019 as extracted from the Dalian Port 2018 Annual Report and the Dalian Port 2019 Interim Report respectively.

	As at 30 June 2019	As at 31 December 2018	2017
	<i>(RMB million)</i>		
ASSETS			
Non-current assets			
Fixed assets	16,799.6	17,208.3	16,860.9
Long-term equity investments	4,304.8	4,196.5	4,181.4
Others	7,710.5	4,351.3	5,103.9
	28,814.9	25,756.1	26,146.2
Current assets			
Financial assets held for trading	1,402.3	1,892.5	–
Notes receivable and accounts receivable	1,446.3	947.4	1,201.9
Cash and bank balances	3,742.1	5,729.3	7,507.9
Others	887.3	990.3	1,729.3
	7,478.0	9,559.5	10,439.1
Total assets	36,292.9	35,315.6	36,585.3

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	As at 30 June 2019	As at 31 December 2018 (RMB million)	2017
LIABILITIES			
Current liabilities			
Short-term borrowings	1,573.3	3,399.5	3,271.2
Notes payable and accounts payable	242.3	224.4	380.4
Other payables	1,352.6	911.0	809.2
Others	546.3	1,167.1	4,732.4
	3,714.5	5,702.0	9,193.2
Non-current liabilities			
Long-term borrowings	1,622.3	2,052.0	2,581.5
Bonds payable	5,878.6	5,873.2	3,404.5
Others	4,075.4	828.1	786.3
	11,576.3	8,753.3	6,772.3
Total liabilities	15,290.8	14,455.3	15,965.5
Net current assets	3,763.5	3,857.5	1,245.9
EQUITY			
Equity attributable to shareholders of Dalian Port	18,353.0	18,276.4	18,059.9
Non-controlling interests	2,649.1	2,583.9	2,559.9
	21,002.1	20,860.3	20,619.8

As at 30 June 2019, total assets of the Dalian Port Group were approximately RMB36,292.9 million, representing an increase of approximately 2.8% from that as at 31 December 2018. The increase was mainly attributable to the recognition of right-of-use asset for leased assets as a result of the implementation of the revised accounting standard. The Group had a significant portion, around 46.3%, of its total assets as at 30 June 2019 represented by fixed assets, which mainly comprised terminal facilities, oil tanks and pipelines, storage facilities and loading equipment. Apart from fixed assets, approximately 10.3% of the total assets were cash and bank balances. As at 30 June 2019, the major liabilities of the Dalian Port Group included the borrowings and bonds payable of approximately RMB9,074.2 million.

NAV attributable to the shareholders of Dalian Port was approximately RMB18,353.0 million as at 30 June 2019, representing an increase of approximately 0.4% from that as at 31 December 2018, which was mainly attributable to the net profit recorded for the six months ended 30 June 2019 after profit distribution. Based on the 12,894,535,999 Dalian Port shares in issue as at the Latest Practicable Date, the NAV per Dalian Port share was approximately RMB1.42 (equivalent to approximately HK\$1.58).

3. Market outlook for the Dalian Port Group

According to the forecast in “World Economic Outlook”, a survey conducted by International Monetary Fund (the “IMF”)¹ economists’ analysis on global economic development during the near and medium term every year, published by the IMF on 23 January 2019, the global economy is expected to grow by 3.5% in 2019. However, in the updated “World Economic Outlook” report released by the IMF in July 2019, the global economy growth was adjusted downward to 3.2% in 2019 as the global trade, which is intensive in machinery and consumer durables, remains sluggish. IMF suggests that the growth pickup in 2020 is expected to be precarious and will be hinged on stabilisation in currently stressed emerging market and developing economies and progress toward resolving trade policy differences.

Against the abovementioned backdrop, as set out in the Dalian Port 2019 Interim Report, the global economy continues to develop with uncertainties with weakened momentum in global economic growth in the second half of 2019. The world economy was also influenced by increasing operational risk and lack of confidence from international investors. However, China would continuously reduce the burdens of enterprises by taxes and fees reduction to stimulate economic development, progressing in “de-capacity, de-stocking, de-leveraging, cost reduction and overcoming of weaknesses”. Overall, China’s economy is expected to stably edge up with stronger internal driving force despite of challenges. In the first half of 2019, China’s economy witnessed a continuous increase in investment, consumption, import and export trade with a year-on-year increase in gross domestic product of 6.3%. The total value of import and export increased by 3.9% on a year-on-year basis.

The Dalian Port Group has vital business presence in the three provinces of Northeast China, eastern Inner Mongolia and the Bohai Rim region. The Dalian Port Group has a wide range of operations including oil products, containers, wheeled commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo. With the momentum of economic growth in China, the management of the Dalian Port Group anticipated the Dalian Port Group will continue to maintain the steady growth in its total throughput.

Having considered the above, we are of the view that the market outlook of the Dalian Port Group is mixed and challenging.

4. Reasons for and benefits of the Non-Acceptance

As set out in the letter from the Board contained in the Circular, the Company’s decision to not accept the H Share Offer is for the following reasons:

¹ The IMF is an organisation of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Created in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership. Given the global standing of the IMF, it is considered that the forecast published by the IMF a reasonable means to assess the market outlook of the Dalian Port Group.

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(a) Acceptance of the H Share Offer may result in a significant loss for the Company

The original acquisition costs payable by the Company for the Company's interests in Dalian Port was approximately HK\$4.33 billion. As at 31 December 2018, the book value of the shares of Dalian Port held by the Company was approximately RMB3.20 billion (equivalent to approximately HK\$3.60 billion). According to the interim results announcement published by Dalian Port, the amount of total equity value attributable to the shareholders of Dalian Port as at 30 June 2019 was RMB18.35 billion (equivalent to approximately HK\$20.39 billion). Since the Company is interested in 21.05% of the total issued shares in Dalian Port, approximately RMB3.86 billion (equivalent to approximately HK\$4.29 billion) of total equity value is attributable to the Company.

Based on the H Share Offer Price of HK\$1.0127 per H Share, if the Company accepts the H Share Offer, the total consideration payable to the Company would be approximately HK\$2,749.2 million (before the deduction of seller's stamp duty).

As a result, the Company's acceptance of the H Share Offer will result in an investment loss of approximately RMB0.95 billion (equivalent to approximately HK\$1.06 billion) calculated based on the book value of the shares of Dalian Port held by the Company or, result in a loss of RMB1.44 billion (equivalent to approximately HK\$1.6 billion) calculated based on the total equity value attributable to the Company as a shareholder of Dalian Port.

(b) Acceptance of the H Share Offer will not benefit the global port investment network of the Company

The principal business of the Group is port and port-related business. The Group's business operations mainly comprise port operations (e.g. container terminal operations, bulk and general cargo terminal operations) and bonded logistic operations (e.g. logistics park operation, ports transportation and airport cargo handling) which are operated by the Group and its associates and joint ventures.

Dalian Port is the most important hub port in Northeast China and one of the industry centres in Northeast Asia. It plays an important role in the global network of the Company. If the H Share Offer is accepted, the Company will lose the investment relationship with Dalian Port, which will adversely affect the global port network system.

(c) Acceptance of the H Share Offer will result in the Company losing the opportunity to benefit from the potential growth of Dalian Port

According to the Composite Document, the Equity Transfer in relation to Dalian Port forms part of the PRC government's series of strategic initiatives for the revitalization of the coastal economic zone of Liaoning Province through the integration of port management in Liaoning Province. The Company is of the view that such strategic

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initiatives will benefit Dalian Port's future development. If the H Share Offer is accepted, the Company will lose the opportunity to enjoy the economic benefits resulting from the potential growth of Dalian Port as a result of the series of strategic initiatives proposed by the PRC Government.

Moreover, as set out in the letter from the Board contained in the Circular, the Company had no specific plans for the proceeds from the acceptance of the H Share Offer. In the scenario that the Company accepts the H Share Offer if the resolution in relation to the Non-Acceptance is not approved at the EGM, the entire amount of the proceeds of the acceptance of the H Share Offer will be used for general working capital and fund possible future investment opportunities of the Company.

As set out in the CMP 2018 Annual Report, the Group positions itself as a global leading port developer, investor and operator, with a comprehensive ports network at hub locations worldwide. The Group has been acquiring various ports around the world. In the recent ten years, the Group had acquired various ports in Mainland China, Africa, South Asia, South America and Oceania. In the same period, the Group had not disposed of any material interests in port operations, except for the Shenzhen Chiwan Wharf Disposal, which was conducted mainly to resolve the potential competition issue undertaken by the Group in 2012. The expansion of the Group's presence worldwide is consistent with the Group's strategy as a global leading port developer, investor and operator. Acceptance of the H Share Offer is therefore contrary to the Group's strategy.

Also, Bohai Rim region is one of the Group's five major regional operations in Mainland China. Dalian Port, as one of the comprehensive port hubs among the Bohai Rim region, accounted for more than 50% of the total container and bulk cargo throughput in Bohai Rim region of the Group in 2018 as set out in the CMP 2018 Annual Report. As advised by the management of the Group, the capacity of the ports in the Bohai Rim region owned by the Group (except for the Dalian Port Group) was substantially utilised in 2018. Acceptance of the H Share Offer would undermine the Group's presence in the port network in the Bohai Rim Region and the Mainland China.

Furthermore, it would be difficult for the Group to acquire a replacement comparable to Dalian Port with the amount of proceeds from the acceptance of the H Share Offer if the H Share Offer is accepted. As stated in the 2018 Dalian Port Annual Report, the Dalian Port Group is the biggest deep water and ice-free comprehensive port operator in the three Northeastern provinces of China. It would be challenging for the Group to identify similar ports in nearby area or acquire so without paying a premium over the prevailing market price.

As set out in the Composite Document, upon completion of the Equity Transfer, CMG, an experienced investor and operator of ports around the world, will continue to cooperate with the Liaoning Provincial government and promote the integration of Dalian Port and port of Yingkou, the largest container hub port for domestic trade in Northeast China, which has disorderly competed with Dalian Port for prolonged period. The integration initiated by CMG after acquiring the controlling interest of Dalian Port would optimise the port resource allocation and realisation of differentiated development of ports in Liaoning Province.

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Also, Dalian Port is expected to leverage on the development model of “Port-Park-City” of CMG. Dalian Port would become the cornerstone for CMG to implement the “Port-Park-City” model in Liaoning Province with the in-depth cooperation with CMG in, among others, port operations, logistics and transportation and business park development. The implementation is expected to further enhance Dalian Port’s advantages in logistics, trading, port financing and e-commerce.

Having considered the above and, in particular, the potential negative impact on the Group’s development and the growth potential of Dalian Port after the acquisition of the controlling interest in Dalian Port by CMG, we consider the Non-Acceptance is reasonable.

5. Evaluation of the consideration for the H Share Offer

(a) Comparison of the market prices of Dalian Port

The H Share Offer Price of HK\$1.0127 was determined with reference to the weighted average trading price on the date of the Equity Transfer Agreement (i.e. 31 May 2019). The H Share Offer Price represents:

- (i) a premium of approximately 0.27% over the closing price of HK\$1.01 per H Share as quoted on the Stock Exchange on 31 May 2019, being the last trading day on which the H Shares were traded on the Stock Exchange prior to the suspension of trading in the H Shares (the “**Last Trading Day**”);
- (ii) a premium of approximately 2.29% over the average closing price of approximately HK\$0.99 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 3.02% over the average closing price of approximately HK\$0.9830 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 0.70% over the average closing price of approximately HK\$1.0057 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 2.69% to the average closing price of approximately HK\$1.0407 per H Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to and including the Last Trading Day;

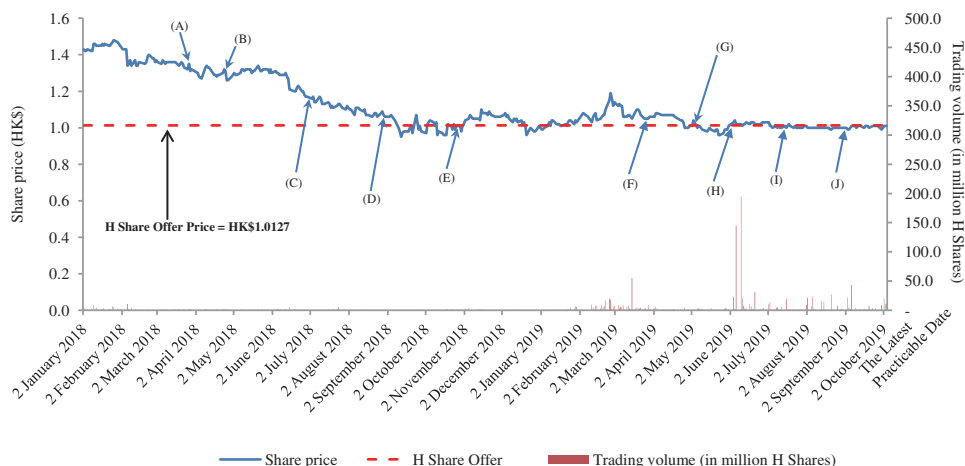
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- (vi) a discount of approximately 3.38% to the average closing price of approximately HK\$1.0481 per H Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 0.27% over the closing price of HK\$1.01 per H Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a discount of approximately 35.96% to the NAV per H Share of approximately RMB1.4233 (equivalent to approximately HK\$1.5814) based on the NAV attributable to the shareholders of Dalian Port of approximately RMB18,353.0 million as at 30 June 2019 divided by 12,894,535,999 Dalian Port shares in issue as at the Latest Practicable Date.

As set out above, the H Share Offer Price is in general close to the recent market prices of the H Shares and at a significant discount to the NAV per Dalian Port share.

(b) Historical price performances of the H Shares

Set out below are the share price performances of the H Shares since the beginning of 2018 to the Latest Practicable Date (the “**Review Period**”), during which Dalian Port announced a number of developments that we considered to be crucial in shaping the market price of the H Shares and therefore we considered it a reasonable period for the purpose of our analysis below.



Source: the website of the Stock Exchange

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As set out in the discussion below, Dalian Port announced a number of developments during the Review Period, which we consider to be crucial in shaping the market price of the H Shares.

Event	Date	Details of the events
(A)	27 Mar 2018	Announcement of annual results for the year ended 31 December 2017
(B)	25 Apr 2018	Publication of 2018 first quarterly report
(C)	28 Jun 2018	The disposal of controlling interest in a major operating subsidiary in the Automobile Terminal Segment
(D)	27 Aug 2018	Announcement of interim results for the six months ended 30 June 2018
(E)	29 Oct 2018	Publication of 2018 third quarterly report
(F)	26 Mar 2019	Announcement of annual results for the year ended 31 December 2018
(G)	25 Apr 2019	Publication of 2019 first quarterly report
(H)	4 Jun 2019	The Joint Announcement
(I)	15 Jul 2019	Publication of a positive profit alert announcement in relation to the interim results for the six months ended 30 June 2019
(J)	27 Aug 2019	Announcement of interim results for the six months ended 30 June 2019

Source: the announcements published by Dalian Port on the Stock Exchange

Since the beginning of 2018, the closing prices of the H Share trended downwards from around HK\$1.4 per H Share to around HK\$1.1 per H Share in August 2018. After Dalian Port published its interim results announcement for the six months ended 30 June 2018, the H Share price reached its bottom during the Review Period at HK\$0.95 per H Share on 12 September 2018, which might be due to the general decline in the valuation of shares and the weaker financial performance of the Dalian Port Group as shown in the aforesaid interim results announcement. Afterwards, the H Share price closed at around HK\$1.0 to HK\$1.2 per H Share until the Last Trading Day. Since the publication of the Joint Announcement, the H Share price remained at around the H Share Offer Price. Out of a total of 346 trading days during the period from 2 January 2018 to the Last Trading Day, there were approximately 282 trading days when the price of the H Shares closed above the H Share Offer Price.

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(c) *Trading liquidity of the H Shares*

Set out in the table below are the monthly total trading volumes of the H Shares and the percentages of such monthly trading volumes to the total number of the H Shares held by public shareholders and the total number of the H Shares in issue from the beginning of 2018 to the Latest Practicable Date.

	Monthly total trading volume of the H Shares	Percentage of the monthly total trading volume of the H Shares to the total number of the H Shares held by the public shareholders (Note 1)	Percentage of the monthly total trading volume of the H Shares to the total number of the H Shares in issue (Note 2)
2018			
January	60,365,200	3.5%	1.2%
February	32,732,400	1.9%	0.6%
March	24,807,014	1.4%	0.5%
April	21,422,000	1.2%	0.4%
May	17,552,867	1.0%	0.3%
June	26,559,995	1.5%	0.5%
July	21,865,322	1.3%	0.4%
August	11,224,400	0.7%	0.2%
September	9,843,800	0.6%	0.2%
October	16,319,226	0.9%	0.3%
November	18,738,399	1.1%	0.4%
December	6,736,632	0.4%	0.1%
2019			
January	30,790,029	1.8%	0.6%
February	124,978,400	7.3%	2.4%
March	150,382,762	8.7%	2.9%
April	35,226,236	2.0%	0.7%
May	39,610,400	2.3%	0.8%
June	464,109,140	27.0%	9.0%
July	76,222,964	4.4%	1.5%
August	139,965,099	8.1%	2.7%
September	113,394,070	6.6%	2.2%
From 1 October 2019 to the Latest Practicable Date	49,791,846	2.9%	1.0%

Source: the website of the Stock Exchange

Notes:

1. The percentages are calculated based on the monthly total trading volumes of the H Shares divided by the total number of the H Shares held by the public shareholders as set out in the Composite Document.
2. The percentages are calculated based on the monthly total trading volumes of the H Shares divided by the total number of the H Shares in issue at the end of each month during the period.

Based on the above table, the liquidity of the H Shares, in our view, was generally thin during the Review Period, except in June 2019 when the trading volume surged after the publication of the Joint Announcement. The H Shares have not, in our opinion, been actively traded during the Review Period.

(d) *Comparable Companies*

The Dalian Port Group is principally engaged in the provision of port and related services in the PRC. In assessing the fairness and reasonableness of the consideration for the H Share Offer Price, we compared the price-to-earnings multiple (the “**P/E Multiple**”) and price-to-book multiple (the “**P/B Multiple**”) represented by the H Share Offer Price against those of companies (i) listed on the Stock Exchange; (ii) with principal activities of port and related services in the PRC; and (iii) with the majority of turnover and segment profit derived from such principal activities in the latest financial year (the “**Comparable Companies**”). We are of the view that the Comparable Companies, though having different level of market capitalisation, have similar business models and operations as the Dalian Port Group, for which we consider more relevant to our analysis. We also consider that the list of the Comparable Companies below to be exhaustive based on the selection criteria as set out above and, in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the H Share Offer Price. Details of the Comparable Companies are set out as below:

Company name	Stock code	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date (Note 1) (HK\$ million)	P/E Multiple (Note 2) (times)	P/B Multiple (Note 3) (times)
Qingdao Port International Co., Ltd. (“ Qingdao Port ”)	6198	Qingdao Port mainly provides port related services. It mainly operates Qingdao Dagang Port Area, Qianwan Port Area, Huangdao Oil Port Area and Dongjiakou Port Area. Qingdao Port has six segments, namely, the container handling and ancillary services segment, the metal ore, coal and other cargo handling and ancillary services, liquid bulk handling and ancillary services segment, the logistics and port value-added services segment, and the port ancillary services segment.	31 December 2018	49,417.3	7.2	0.9
The Company	144	The Company is principally engaged in ports and port-related business.	31 December 2018	40,884.2	4.9	0.5

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Company name	Stock code	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date (Note 1) (HK\$ million)	P/E Multiple (Note 2) (times)	P/B Multiple (Note 3) (times)
COSCO SHIPPING Ports Ltd. ("COSCO Shipping")	1199	COSCO Shipping is principally engaged in the terminal businesses. Its businesses mainly include the operation of terminals, the handling, transportation and storage of containers, as well as the leasing, management and sales of containers and related businesses.	31 December 2018	19,633.1	8.3	0.5
Qinhuangdao Port Co., Ltd. ("Qinhuangdao Port")	3369	Qinhuangdao Port Co., Ltd. is principally engaged in the provision of integrated port services. Its integrated port services include stevedoring, stacking, warehousing, transportation and logistics services. It operates Qinhuangdao Port, Caofeidian Port and Huanghua Port.	31 December 2018	17,793.6	11.5	0.5
Tianjin Port Development Holdings Limited ("Tianjin Port")	3382	Tianjin Port is a China-based company principally engaged in port related businesses. The main businesses of Tianjin port include the loading and unloading of cargo and sales business.	31 December 2018	4,310.6	13.3	0.3
Xiamen International Port Co. Ltd. ("Xiamen Port")	3378	Xiamen Port is principally engaged in the provision of port logistics services, trading services of commodities, as well as the sale of construction materials. Its port logistics services include port operation, tug services, transportation services, cargo handling services, agent services and logistics extended services.	31 December 2018	2,726.2	8.9	0.4

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Company name	Stock code	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date (Note 1) (HK\$ million)	P/E Multiple (Note 2) (times)	P/B Multiple (Note 3) (times)
Rizhao Port Jurong Co., Ltd. (“ Rizhao Port ”)	6117	Rizhao Port Jurong is principally involved in port operation. It provides comprehensive port-related services, including stevedoring, berth leasing, port management, storage and logistics agency services, primarily covering soybeans, woodchips, dried tapioca, maize and wheat.	31 December 2018	1,726.4	11.0	0.8
Xinghua Port Holdings Ltd. (“ Xinghua Port ”)	1990	Xinghua Port is mainly engaged in the operation and management of ports. Its ports are multi-purpose ports and handle a range of cargo types including pulp and paper cargo, steel cargo, logs, project equipments, containers, and other general cargo including borax cargo, marbles and sodium sulphur.	31 December 2018	904.0	13.4	1.0
The H Share Offer				Average	9.8	0.6
				Median	10.0	0.5
				Maximum	13.4	1.0
				Minimum	4.9	0.3
					18.5 (Note 4)	0.6 (Note 5)

Source: the website of the Stock Exchange and respective companies' annual reports and interim reports

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Notes:

1. The market capitalisation of the Comparable Companies represents the total market capitalisation of A shares (if any), domestic shares (if any) and H shares of the respective Comparable Companies. For the avoidance of doubt, the total market capitalisation of Comparable Companies with domestic shares is calculated based on the H share price of the Comparable Companies.
2. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of H shares of the Comparable Companies as at the Latest Practicable Date divided by the trailing twelve-month profit attributable to the H share shareholders of the Comparable Companies.
3. The P/B Multiples of the Comparable Companies are calculated based on the market capitalisation of H shares of the Comparable Companies as at the Latest Practicable Date divided by the net assets attributable to the H shareholders of the Comparable Companies as set out in their respective latest interim reports.
4. The implied P/E Multiple of the H Share Offer of approximately 18.5 times is calculated based on the H Share Offer Price of HK\$1.0127 divided by the earnings per H Share of approximately RMB0.0493 (equivalent to approximately HK\$0.0547).
5. The implied P/B Multiple of the H Share Offer of approximately 0.6 times is calculated based on the H Share Offer Price of HK\$1.0127 divided by the NAV per H Share as at 30 June 2019 of approximately RMB1.4233 (equivalent to approximately HK\$1.5814).

The P/E Multiples of the Comparable Companies range from approximately 4.9 times to approximately 13.4 times and have an average and a median of approximately 9.8 times and 10.0 times respectively. The implied P/E Multiple of the H Share Offer Price of 18.5 times is higher than the range of the P/E Multiples of the Comparable Companies. The P/B Multiples of the Comparable Companies range from approximately 0.3 times to approximately 1.0 times and have an average and a median of approximately 0.6 times and 0.5 times respectively. The implied P/B Multiple of approximately 0.6 times is close to the average and median of those of the Comparable Companies. Given that the implied P/E Multiple of the H Share Offer is significantly higher than that of the Comparable Companies, we are of the view that the H Share Offer is on normal commercial terms and acceptable if the Company has any intention to dispose of its equity interest in Dalian Port as the H Share Offer provides shareholders of Dalian Port an opportunity to liquidate their investment at current market price. However, as set out in the section headed “4. Reasons for and benefits of the Non-Acceptance” and “Discussion and analysis” below, unlike a financial investor pursuing investment return only, the Group positions itself as a strategic investor of global port network. Maintaining Dalian Port as one of the major ports in Bohai Rim region by the Group has strategic value to the Group that is not otherwise available to other independent shareholders of Dalian Port. Having consider the above and other factors in this letter, we consider the Non-Acceptance acceptable.

6. Financial effects of the non-acceptance or acceptance of the H Share Offer on the Group

As set out in the letter from the Board contained in the Circular, it was the Company's decision not to accept the H Share Offer. The Non-Acceptance will not have any financial impact on the Group.

Conversely, we set out below an illustration of the financial effects on the Group assuming the Company accepts the H Share Offer (the “**Acceptance**”):

(a) Earnings

Upon completion of the Acceptance, the Company will no longer hold any interest in Dalian Port and Dalian Port will cease to be an associate of the Company. The financial results of Dalian Port will therefore no longer be equity accounted for in that of the Group. For the year ended 31 December 2018, the consolidated net profit of the Company was approximately HK\$7,245 million, of which approximately RMB110.2 million (equivalent to approximately HK\$122.4 million) was attributable to Dalian Port based on the Group's approximately 21.05% equity interest in Dalian Port and the consolidated net profit attributable to shareholders of Dalian Port of approximately RMB523.3 million (equivalent to approximately HK\$581.4 million) for the same year.

In addition, upon completion of the Acceptance, the Group will recognise an one-off loss from the Acceptance, which will be equal to the consideration for the H Share Offer of approximately HK\$2,749.2 million less the NAV of Dalian Port attributable to the Company and the exchange differences previously recognised from the retranslation of investment in Dalian Port on the completion date of the Acceptance. Assuming completion of the Acceptance took place on 30 June 2019 and based on the book value of the shares of Dalian Port held by the Company of approximately RMB3.25 billion (equivalent to approximately HK\$3.69 billion) and the aforesaid exchange differences as at 30 June 2019, the estimated loss on the Acceptance would be approximately HK\$1.06 billion.

(b) NAV

Upon completion of the Acceptance, Dalian Port will cease to be an associate of the Company. Accordingly, the interest in Dalian Port held by the Group will be removed from the statement of financial position of the Group. As at 30 June 2019, the consolidated attributable to the equity holders of the Company was approximately HK\$78,177 million, which included the Group's interest in Dalian Port of approximately HK\$3,690 million.

LETTER FROM SOMERLEY

Upon completion of the Acceptance, the NAV of the Group will be adjusted based on the gain or loss on the Acceptance. Based on the aforesaid computation in sub-section (a), the NAV of the Group would decrease by approximately HK\$1,060 million, being the estimated loss from the Acceptance as mentioned above.

(c) *Liquidity*

As at 30 June 2019, the Group had cash and bank balances of approximately HK\$6,771 million and net current assets (i.e. total current assets and non-current assets held for sale less total current liabilities) of approximately HK\$5,261 million. As the H Share Offer will be solely satisfied in cash, the cash and bank balances and the net current assets of the Group are expected to increase by HK\$2,749.2 million or approximately 40.6% and 52.3% respectively.

(d) *Gearing*

As at 30 June 2019, the Group's gearing ratio, being net interest-bearing debt (i.e. total borrowings of approximately HK\$37,931 million less cash and cash equivalents of approximately HK\$6,771 million) divided by total equity (i.e. total equity of approximately HK\$90,916 million), was approximately 34.3%. Assuming completion of the Acceptance took place as at 30 June 2019 and as the H Share Offer is made in cash, the net interest-bearing debt of the Group is expected to be reduced by the net proceeds from the H Share Offer of approximately HK\$2,749.2 million and the total equity of the Group will be reduced by the estimated loss of approximately HK\$1,060 million, accordingly the Group's gearing ratio is expected to be reduced to approximately 31.6% upon completion of the Acceptance.

DISCUSSION AND ANALYSIS

As set out in the announcement dated 4 June 2019 jointly published by Dalian Port and Broadford, the Equity Transfer forms part of the cooperation and is Liaoning Government and CMG's response to the PRC Government's series of strategic initiatives for revitalisation of China's Northeast region. The Equity Transfer merely involves the transfer of 1.1% equity interest at nil consideration in Liaoning Port Group to China Merchants Liaoning and, as a result, China Merchants Liaoning owned 51% equity interest in Liaoning Port Group and consequently triggered the H Share Offer. The H Share Offer Price, which has been determined with reference to the weighted average trading price of the H Shares as at 31 May 2019 (being the date of the Equity Transfer Agreement), is essentially the market price of the H Shares. As the parties to the Equity Transfer Agreement are PRC government or PRC government-controlled entity and the H Share Offer is made at the market price, the H Share Offer is considered as a technical general offer.

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, America, Oceania and Mediterranean Sea.

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Dalian Port principally engages in activities similar to that of the Group in Dalian, the PRC. It is the biggest comprehensive port operator in three northeastern provinces of China and a consolidated operational platform for port and logistics services in Dalian port. Although it is owned as to approximately 21.05% by the Group, it has been a strategic part of the Group's port network and the largest port in the Bohai Rim owned by the Group. The financial performance of Dalian Port has been satisfactory as the net profit of Dalian Port has been increasing during the last two and a half years ended 30 June 2019, despite the declines in revenue during the same period. The outlook of Dalian Port is mixed and challenging having considered the uncertainties in the global economy and structural reforms at the supply side being carried out in China.

The H Share Offer Price has been generally close to the H Share market prices in this year prior to the Last Trading Day but it still represents a discount of over 30% to the NAV per H Share as at 30 June 2019. The trading liquidity of the H Shares, in our view, has been thin. From the perspective of the Company which holds a large block of the H Shares, the H Share Offer Price may be considered as a good opportunity to realise its holdings through a cash exit which would not normally be available through the market. The P/E Multiple and the P/B Multiple implied by the H Share Offer Price of approximately 18.5 times and 0.6 times are higher than the maximum P/E Multiple and equal to the average P/B Multiple of the Comparable Companies of 13.4 times and 0.6 times respectively. Having considered the above analysis of the H Share Offer Price, we are of the view that the H Share Offer is on normal commercial terms and acceptable if the Company has any intention to dispose of its equity interest in Dalian Port.

Having said the above, the Shareholders however should note that, unlike a financial investor pursuing investment return only, the Group positions itself as a global leading port developer, investor and operator, with a comprehensive ports network at hub locations worldwide and the Group has been acquiring various ports around the world in the last decade. Bohai Rim region, being the area where the Dalian port is located, is one of the Group's five major regional operations in Mainland China and accounted for approximately 8.1% of the profit attributable to the equity holders of the Company (excluding the gain from Shenzhen Chiwan Wharf Disposal) for the year ended 31 December 2018 and ranked third in terms of throughputs among the five major regional operations in Mainland China. Dalian Port, as one of the comprehensive port hubs among the Bohai Rim region, accounted for more than 50% of the total container and bulk cargo throughput in Bohai Rim region of the Group in 2018. Acceptance of the H Share Offer, representing a disposal of interest in the key port in the strategic Bohai Rim region, is contrary to the Group's strategy and would undermine the Group's presence in the port network in Bohai Rim region and Mainland China. Given the significance of Dalian Port to the Group's port operation in Bohai Rim region, the Acceptance would reduce the competitive advantage of the Group's the global port network. Moreover, with the PRC government series of strategic initiatives for the revitalisation of the coastal economic zone of Liaoning Province through the integration of port management in Liaoning Province as mentioned in section headed "4. Reasons for and benefits of the Non-Acceptance", the potential growth in Dalian Port is expected to facilitate the Group's continuing development in global port network. Furthermore, the Dalian Port Group is the biggest deep

LETTER FROM SOMERLEY

water and ice-free comprehensive port operator in the three Northeastern Provinces of China and it would be challenging for the Group to acquire a replacement comparable to Dalian port in nearby area or to do so without paying a premium over the prevailing market price. Maintaining Dalian Port as one of the major ports in Bohai Rim region by the Group has strategic value to the Group that is not otherwise available to other independent shareholders of Dalian Port.

Last but not least, if the H Share Offer is accepted by the Group, despite some improvements in the liquidity and gearing positions, an estimated loss of approximately HK\$1.06 billion will be recognised by the Group and the same amount of decrease in the NAV will also be suffered by the Group.

Having considered the above and, in particular, the potential negative impact on the Group's development and the growth potential of Dalian Port after the acquisition of the controlling interest in Dalian Port by CMG, we consider the Non-Acceptance is reasonable.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Non-Acceptance, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole and fair and reasonable as 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 Non-Acceptance.

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

Mr. Danny Cheng is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

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	0.0001%
	(Long position)	
Mr. LEE Yip Wah Peter	220,948	0.0065%
	(Long position)	
Total	223,059	0.0065%
	(Long position)	

(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 2018, 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 2018, 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 EXPERT

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

Name	Qualification
Somerley	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 Non-Acceptance

Somerley 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.

Somerley 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, Somerley did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2018, 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) In case of inconsistency, 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 Composite Document and the Form of Acceptance;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 46 of this circular;
- (iv) the written consent from Somerley referred to under the paragraph “Qualification and Consent of Experts” in this appendix; and
- (v) a copy of this circular.

NOTICE OF THE EGM



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**”) (the “**Meeting**”) will be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 October 2019 at 9:30 a.m. ^(Note 3) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the non-acceptance by the Company of the mandatory unconditional cash offer by China International Capital Corporation Hong Kong Securities Limited on behalf of Broadford Global Limited to acquire all the issued H shares in Dalian Port (PDA) Company Limited (大連港股份有限公司) (stock code: 2880) (the “**H Share Offer**”) 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 the Non-Acceptance.”
2. “**THAT** Mr. Ge Lefu be re-elected as an executive director of the Company.”

In the event that more than 50% of the votes by shareholders of the Company entitled to attend and vote at the Meeting (including proxies) are cast against the first resolution and as a result the first resolution is not passed at the Meeting, the Company will consider that the shareholders of the Company have, by a majority vote, approved the acceptance of the H Share Offer. Accordingly, in this scenario, any one director of Company will 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 the acceptance of the H Share Offer.

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

Hong Kong, 11 October 2019

NOTICE OF THE EGM

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.
3. **If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal in force at 9:00 a.m. on 28 October 2019:**
 - a. **but no longer in force after 12:00 noon on 28 October 2019, the Meeting will be postponed to 2:00 p.m. on the same day and will be held at the registered office of the Company at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong; or**
 - b. **and remain in force after 12:00 noon on 28 October 2019, the Meeting will be rescheduled to 9:30 a.m. on the following Business Day at the registered office of the Company and will be held at the registered office of the Company at 38th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.**
4. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 24 October 2019 to 28 October 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 23 October 2019.
5. 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.
6. As at the date of this circular, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.