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招商局置地有限公司
CHINA MERCHANTS LAND LIMITED

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招商局置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 50% EQUITY INTEREST IN
FOSHAN MERCHANTS ZHONGHUAN PROPERTY**

THE TRANSFER

On 25 April 2018, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an indirect non wholly-owned subsidiary of the Company) entered into the Equity Interest Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest (i.e. 100% of the equity interest in Foshan Merchants Zhonghuan Property) at a total consideration of approximately RMB1,735,040,620.42.

As at the date of this announcement, Foshan Merchants Zhonghuan Property is a direct wholly-owned subsidiary of the Vendor and the Company holds, indirectly through the Vendor, the entire equity interest in Foshan Merchants Zhonghuan Property. Upon completion of the Transfer, the Purchaser will hold directly the entire equity interest in Foshan Merchants Zhonghuan Property and the Company will hold, indirectly through the Purchaser, 50% of the equity interest in Foshan Merchants Zhonghuan Property.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transfer exceed 5% but are less than 25%, the entering into of the Equity Interest Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

THE TRANSFER

On 25 April 2018, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an indirect non wholly-owned subsidiary of the Company) entered into the Equity Interest Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest (i.e. 100% of the equity interest in Foshan Merchants Zhonghuan Property) at a total consideration of approximately RMB1,735,040,620.42.

THE EQUITY INTEREST TRANSFER AGREEMENT

The principal terms of the Equity Interest Transfer Agreement are summarised as follows:

Date

25 April 2018

Parties

The Vendor: Foshan Merchants Property Development Co., Ltd.* (佛山招商房地產有限公司), an indirect wholly-owned subsidiary of the Company

The Purchaser: Foshan Yi Yun Property Development Co., Ltd.* (佛山依雲房地產有限公司), an indirect non wholly-owned subsidiary of the Company

The Purchaser is held as to 50% by the Company via Merchants Guangzhou and 50% by Wharf via Guangzhou Wharf. Wharf indirectly holds 50% of the equity interest of Harpen Company Limited, a jointly-controlled entity and a subsidiary of the Company under the Listing Rules. Therefore, Wharf is a connected person of the Company at the subsidiary level. Save for the aforesaid connections, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Equity Interest Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest, representing 100% of the equity interest in Foshan Merchants Zhonghuan Property.

Consideration

As at the date of this announcement, the Vendor has granted a shareholder's loan to Foshan Merchants Zhonghuan Property in the amount of approximately RMB1,677,770,000 for the payment of acquisition of land use rights of the Land and related tax expenses (the "Shareholder's Loan").

The total consideration payable by the Purchaser to the Vendor in respect of the Transfer shall be approximately RMB1,735,040,620.42, which comprises:

- (1) RMB10,109,700 for the transfer of the entire equity interest in Foshan Merchants Zhonghuan Property, which is calculated with reference to the estimated net asset value of Foshan Merchants Zhonghuan Property as at 30 November 2017;
- (2) the Shareholder's Loan amounting to approximately RMB1,677,770,000; and
- (3) the interest of the Shareholder's Loan, calculated by reference to the benchmark lending interest rate published by the People's Bank of China for the same period increased by 20%, from the date of advancement of the Shareholder's Loan by the Vendor to the date of reimbursement by the Purchaser.

The total consideration for the Transfer has been arrived at after arm's length negotiations between the Vendor and the Purchaser.

Payment of the Consideration

The total consideration for the Transfer of approximately RMB1,735,040,620.42 shall be settled by the Purchaser in the following manner:

- (a) RMB10,109,700 shall be paid within 15 working days after obtaining the Valuation Approval; and
- (b) the remainder of approximately RMB1,724,930,920.42, being the Shareholder's Loan and the related interest, shall be paid within five working days after signing the Equity Interest Transfer Agreement.

Conditions Precedent

Completion of the Transfer is conditional upon fulfillment of the following conditions:

- (a) all necessary approvals from the board of directors or senior management of the Vendor, the Purchaser and Foshan Merchants Zhonghuan Property in relation to the execution of the Equity Interest Transfer Agreement and the transactions contemplated thereunder having been obtained; and
- (b) the Valuation Approval having been obtained.

Completion

The completion date of the Transfer shall fall on the date on which (1) the conditions precedent set out in the Equity Interest Transfer Agreement are fulfilled; (2) the Equity Interest Transfer Procedures are completed; and (3) the shareholder of Foshan Merchants Zhonghuan Property approves the new articles of association and the relevant business registration documents.

Termination

In the event of (1) the Vendor and the Purchaser cannot agree on the valuation report of Foshan Merchants Zhonghuan Property after obtaining the Valuation Approval within five working days; or (2) the Transfer is not approved by the State Administration for Industry and Commerce, the Equity Interest Transfer Agreement shall be terminated.

INFORMATION OF FOSHAN MERCHANTS ZHONGHUAN PROPERTY

Foshan Merchants Zhonghuan Property was a company established by the Vendor in the PRC on 1 August 2017 for the sole purpose of conducting the development of the Land. The principal asset of Foshan Merchants Zhonghuan Property is the Land which is located at the west side of Jianshe Yilu, Xinan Street, San Shui District, Foshan City, Guangdong Province, the PRC* (中國廣東省佛山市三水區西南街道建設一路西側). The Land has a site area of 70,500.13 sq. m., designated for commercial and residential usage with a term of 40 years and 70 years, respectively. The Land is intended to be developed for commercial and residential properties for sale. Construction work on the Land has been commenced in October 2017 and is expected to be completed in March 2021.

Set out below is a summary of the unaudited financial information of Foshan Merchants Zhonghuan Property (prepared in accordance with the applicable financial reporting standards in the PRC) for the period from 1 August 2017 to 31 March 2018:

RMB

Revenue	–
Net loss before taxation	(1,749,500.46)
Net loss after taxation	(1,312,125.34)

The unaudited net asset value of Foshan Merchants Zhonghuan Property as at 31 March 2018 was approximately RMB2,028,790.44.

FINANCIAL EFFECTS OF THE TRANSFER AND USE OF PROCEEDS FROM THE TRANSFER

As at the date of this announcement, Foshan Merchants Zhonghuan Property is a direct wholly-owned subsidiary of the Vendor and the Company holds, indirectly through the Vendor, the entire equity interest in Foshan Merchants Zhonghuan Property. Upon completion of the Transfer, the Vendor will cease to hold any equity interest in Foshan Merchants Zhonghuan Property whilst the Purchaser will hold directly the entire equity interest in Foshan Merchants Zhonghuan Property. The Company will hold, indirectly through the Purchaser, 50% of the equity interest in Foshan Merchants Zhonghuan Property, which will continue to be accounted for as a subsidiary of the Company. As a result, the financial results of Foshan Merchants Zhonghuan Property will continue to be consolidated into the financial statements of the Group.

It is estimated that the Group will record a loss from the Transfer of approximately RMB(1,749,500.46) before tax, which is calculated with reference to the total consideration for the Transfer of approximately RMB1,735,040,620.42 and the net asset value of Foshan Merchants Zhonghuan Property as at 31 March 2018.

The exact amount of the loss on the Transfer to be recorded in the consolidated financial statements of the Group for the year ending 31 December 2018 is subject to audit. It will be calculated based on the consolidated net asset value of Foshan Merchants Zhonghuan Property as at the date of the completion of the Transfer, net of any incidental expenses, and therefore may differ from the estimated amount of the gain set out above.

After deduction of the Shareholder's Loan and the related interest, the net proceeds from the Transfer will be approximately RMB10,109,700, which is intended to be used as the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE TRANSFER

The Group is principally engaged in the development, sale, lease, investment and management of properties in the PRC and the sales of electronic and electrical related products and sales of building related materials and equipment.

As mentioned in the section headed “Information of Foshan Merchants Zhonghuan Property” above, the construction work on the Land is expected to be completed in March 2021. Given that Foshan Merchants Zhonghuan Property will need capital for developing the Land from time to time, the Directors consider that the Transfer could facilitate the development of the Land since any costs arising from developing the Land could be shared between Merchants Guangzhou and Guangzhou Wharf, which are the shareholders of the Purchaser, in proportion to their respective shareholdings in the Purchaser. In addition, the capital commitment required on the part of the Company would be lowered and without such financial constraint, the Company can engage in more real estate projects to expand the property development and investment portfolio of the Group. Therefore, the Company considers that it is in the interest of the Company to conduct the Transfer.

The terms of the Equity Interest Transfer Agreement have been arrived at after arm’s length negotiations between the parties. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

PARTICULARS OF THE PARTIES

The Vendor is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

The Purchaser is a company established in the PRC and an indirect non wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transfer exceed 5% but are less than 25%, the entering into of the Equity Interest Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Board”	the board of Directors
“CMG”	China Merchants Group Limited (招商局集團有限公司), a company established in the PRC with limited liability, being the ultimate shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the date of this announcement
“Company”	China Merchants Land Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 978)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Interest Transfer Agreement”	the conditional equity interest transfer agreement dated 25 April 2018 entered into between the Vendor and the Purchaser in relation to the Transfer
“Equity Interest Transfer Procedures”	the relevant procedures required under the applicable laws and by the relevant governmental authorities in respect of completion of the Transfer, including but not limited to the registration of the Transfer with the State Administration for Industry and Commerce in the PRC and the obtaining of a new business license
“Foshan Merchants Zhonghuan Property”	Foshan Merchants Zhonghuan Property Development Co., Ltd.* (佛山招商中環房地產有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement and prior to completion of the Transfer
“Group”	the Company and its subsidiaries

“Guangzhou Wharf”	Guangzhou Wharf Co., Ltd.* (九龍倉置業(廣州)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Wharf
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land situated at the west side of Jianshe Yilu, Xinan Street, San Shui District, Foshan City, Guangdong Province, the PRC* (中國廣東省佛山市三水區西南街道建設一路西側), with a total site area of approximately 70,500.13 sq. m., designated for commercial and residential usage with a term of 40 and 70 years, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Merchants Guangzhou”	Merchants Guangzhou Property Development Limited* (廣州招商房地產有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Foshan Yi Yun Property Development Co., Ltd.* (佛山依雲房地產有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company which is indirectly owned as to 50% by the Company and 50% by Wharf
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% of the equity interest in Foshan Merchants Zhonghuan Property
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transfer”	the transfer of the Sale Interest by the Vendor to the Purchaser pursuant to the Equity Interest Transfer Agreement
“Valuation Approval”	the filing approval of the asset valuation report of Foshan Merchants Zhonghuan Property issued by CMG
“Vendor”	Foshan Merchants Property Development Co., Ltd.* (佛山招商房地產有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Wharf”	The Wharf (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 4)
“%”	per cent

By order of the Board
China Merchants Land Limited
XU Yongjun
Chairman

Hong Kong, 25 April 2018

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong, Dr. YAN Chengda and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.

* *Unofficial English translation denotes for identification purposes only*