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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF ENTIRE EQUITY
INTERESTS IN AND SHAREHOLDERS' LOANS
TO COMING WEALTH AND CHEUK TAT**

Financial Adviser to the Company

CMS 招商证券

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

ALTUS CAPITAL LIMITED

A letter from the Independent Board Committee containing its recommendations in respect of the SP Agreements and the Acquisitions contemplated thereunder to the Independent Shareholders is set out on page 23 of this circular. A letter from Altus, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 42 of this circular.

A notice convening the EGM to be held at 37/F, China Merchants Tower, Shun Tak Centre, Nos 168-200 Connaught Road Central, Hong Kong on Tuesday, 11 October 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

15 September 2016

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DEFINITIONS

In this circular, the following terms and expressions shall have the following respective meanings unless the context otherwise requires:

“Acquisitions”	Cheuk Tat Acquisition and Coming Wealth Acquisition
“Board”	the board of Directors
“Building Authority”	the Building Authority of Hong Kong
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Cheuk Tat”	Cheuk Tat Development Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Seller as at the Latest Practicable Date
“Cheuk Tat Acquisition”	the acquisition by the Company of the Cheuk Tat Sale Shares and the Cheuk Tat Sale Loan pursuant to the terms of the Cheuk Tat SP Agreement
“Cheuk Tat Completion”	completion of the Cheuk Tat Acquisition pursuant to the Cheuk Tat SP Agreement
“Cheuk Tat Completion Accounts”	the unaudited pro forma statement of financial position of Cheuk Tat as at close of business on Cheuk Tat Completion Date duly certified by a director of Cheuk Tat as true and accurate to reflect, among other things, the Net Current Tangible Assets Value of Cheuk Tat as at the Cheuk Tat Completion Date
“Cheuk Tat Completion Date”	the date of the Cheuk Tat Completion, subject to fulfillment of the conditions precedent set out in the paragraph headed “Conditions precedent to the Cheuk Tat Acquisition” in the section headed “Letter from the Board” of this circular, being the 10th Business Day after the day on which the last of such conditions precedent has been fulfilled (or where applicable waived) or such other date as the Company and the Seller may agree in writing

DEFINITIONS

“Cheuk Tat Consideration”	approximately HK\$608 million, subject to adjustment (if any) but capped at approximately HK\$609 million, being the aggregate consideration for the acquisition of the Cheuk Tat Sale Shares and the Cheuk Tat Sale Loan under the Cheuk Tat SP Agreement
“Cheuk Tat Long Stop Date”	31 March 2018 or such other date as agreed in writing between the Company and the Seller
“Cheuk Tat Management Accounts”	the unaudited management accounts of Cheuk Tat comprising a statement of comprehensive income for the period from 1 January 2016 to 31 July 2016 and a statement of its financial position as at 31 July 2016
“Cheuk Tat Occupation Permit”	the occupation permit in respect of the CM+ South Tower on the Cheuk Tat Property to be issued by the Building Authority after completion of construction works on the Cheuk Tat Property in accordance with the relevant approved plans approved by the Building Authority
“Cheuk Tat Property”	all those pieces or parcels of ground respectively registered in the Land Registry as Inland Lot Nos. 6340, 6341, 6356 and 6357 together with the messuages erections and buildings erected thereon known at the date hereof as Nos. 23 and 25 Tung Loi Lane and Nos. 30 and 32 New Market Street, Hong Kong.
“Cheuk Tat Sale Loan”	all indebtedness, obligations and liabilities (including but not limited to the costs of construction undertaken on the Cheuk Tat Property) due or owing by Cheuk Tat to the Seller as at the Cheuk Tat Completion Date, whether actual, contingent or deferred and irrespective whether or not the same are due and payable on Cheuk Tat Completion Date, which as at 31 July 2016 amounted to an aggregate of approximately HK\$60 million
“Cheuk Tat Sale Shares”	2 ordinary shares of the issued share capital of Cheuk Tat, which are legally and beneficially owned by the Seller and represents the entire issued share capital of Cheuk Tat, as at the Latest Practicable Date and as at Cheuk Tat Completion

DEFINITIONS

“Cheuk Tat SP Agreement”	the sale and purchase agreement dated 18 August 2016 entered into between the Company and the Seller in relation to, among other things, the sale and purchase of the Cheuk Tat Sale Shares and the Cheuk Tat Sale Loan by the Company from the Seller
“CM+ North Tower”	the building now situate, built and erected on the Coming Wealth Property, together with its furniture and fittings (if any) in the premises of the Coming Wealth Property, named as CM+ Serviced Apartment
“CM+ South Tower”	the building (now under construction) to be built on the Cheuk Tat Property and to be completed in accordance with the approved plans in relation to the development of the Cheuk Tat Property approved by the Building Authority
“CMSK”	China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company established in the PRC, which shares are listed on the Shenzhen Stock Exchange, and a controlling shareholder of the Company
“Coming Wealth”	Coming Wealth Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Seller as at the Latest Practicable Date
“Coming Wealth Acquisition”	the acquisition by the Company of the Coming Wealth Sale Shares and the Coming Wealth Sale Loan pursuant to the terms of the Coming Wealth SP Agreement
“Coming Wealth Completion”	completion of the Coming Wealth Acquisition pursuant to the Coming Wealth SP Agreement
“Coming Wealth Completion Accounts”	the unaudited pro forma statement of financial position of Coming Wealth as at close of business on Coming Wealth Completion Date duly certified by a director of Coming Wealth as true and accurate to reflect, among other things, the Net Current Tangible Assets Value of Coming Wealth as at the Coming Wealth Completion Date

DEFINITIONS

“Coming Wealth Completion Date”	the date of the Coming Wealth Completion, subject to fulfillment of the conditions precedent set out in the paragraph headed “Conditions precedent to the Coming Wealth Acquisition” in the section headed “Letter from the Board” of this circular, being the 10th Business Day after the day on which the last of such conditions precedent has been fulfilled (or where applicable waived) or such other date as the Company and the Seller may agree in writing
“Coming Wealth Consideration”	approximately HK\$505 million, subject to adjustment (if any) but capped at approximately HK\$506 million, being the aggregate consideration for the acquisition of the Coming Wealth Sale Shares and the Coming Wealth Sale Loan under the Coming Wealth SP Agreement
“Coming Wealth Long Stop Date”	31 December 2016 or such other date as agreed in writing between the Company and the Seller
“Coming Wealth Management Accounts”	the unaudited management accounts of Coming Wealth comprising a statement of comprehensive income for the period from 1 January 2016 to 31 July 2016 and a statement of its financial position as at 31 July 2016
“Coming Wealth Occupation Permit”	the occupation permit in respect of CM+ North Tower on the Coming Wealth Property issued by the Building Authority on 4 November 2015
“Coming Wealth Property”	all that piece or parcel of ground registered in the Land Registry as the Remaining Portion of Marine Lot No. 415 together with the messuages erections and buildings erected thereon known at the Latest Practicable Date as No. 16 Connaught Road West, Hong Kong

DEFINITIONS

“Coming Wealth Sale Loan”	all indebtedness, obligations and liabilities (including but not limited to the costs of construction undertaken on the Coming Wealth Property) due or owing by Coming Wealth to the Seller as at the Coming Wealth Completion Date, whether actual, contingent or deferred and irrespective whether or not the same are due and payable on the Coming Wealth Completion Date, which as at 31 July 2016 amounted to an aggregate of approximately HK\$283 million
“Coming Wealth Sale Shares”	2 ordinary shares of the issued share capital of Coming Wealth, which are legally and beneficially owned by the Seller and represents the entire issued share capital of Coming Wealth, as at the Latest Practicable Date and as at Coming Wealth Completion
“Coming Wealth SP Agreement”	the sale and purchase agreement dated 18 August 2016 entered into between the Company and the Seller in relation to, among other things, the sale and purchase of the Coming Wealth Sale Shares and the Coming Wealth Sale Loan by the Company from the Seller
“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: 0978)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CPO”	the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the SP Agreements and the Acquisitions
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Licence”	licence issued by the Hotel and Guesthouse Accommodation Authority of the Government of Hong Kong under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong)
“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the Independent Shareholders in respect of the SP Agreements and the Acquisitions contemplated thereunder
“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, is the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in connection with the SP Agreements and the Acquisitions
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve the SP Agreements and the Acquisitions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates
“Latest Practicable Date”	11 September 2016, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Main Contract”	the main contract entered into between the Seller as the project owner and the main contractor for, among other things, the superstructure works performed on the CM+ North Tower and the CM+ South Tower

DEFINITIONS

“Net Current Tangible Assets Value”	in relation to a Target Company, means the aggregate value of all tangible current assets of such Target Company which are readily convertible into cash or cash equivalents (including utilities and other miscellaneous pre-paid deposits, prepaid rates and government rent, and other prepaid expenses relating to the relevant Target Property, but excluding the relevant Target Property, any intangible assets and other fixed assets and deferred tax) minus the aggregate value of all current liabilities (actual, contingent or otherwise, including deposits received by the relevant Target Company under existing tenancies (only applicable to Coming Wealth Acquisition), but excluding the Sale Loans) and provisions made by the relevant Target Company, as at a given date
“PRC”	the People’s Republic of China, which shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Loans”	Coming Wealth Sale Loan and Cheuk Tat Sale Loan collectively
“Seller”	China Merchants Properties Development Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by CMSK
“Shareholder(s)”	shareholder(s) of the Company
“SP Agreements”	Cheuk Tat SP Agreement and Coming Wealth SP Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Well”	Success Well Investments Limited, a limited liability company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Target Companies”	Cheuk Tat and Coming Wealth, collectively, and “Target Company” means Coming Wealth or Cheuk Tat, depending on the context

DEFINITIONS

“Target Properties” Coming Wealth Property and Cheuk Tat Property, collectively, and “Target Property” means Coming Wealth Property or Cheuk Tat Property, depending on the context

“%” per cent

In this circular, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.



CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Board of Directors:

Non-executive Directors:

XU Yongjun
HUANG Junlong
YAN Chengda
LIU Ning

Executive Directors

SO Shu Fai
YU Zhiliang
WONG King Yuen

Independent non-executive Directors:

WONG Wing Kuen, Albert
CHEN Yanping
SHI Xinping
HE Qi

Company secretary:

CHAN Wing Yan

Registered office:

P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and place of business

in Hong Kong:

Room 2603 to 2606, 26/F
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

15 September 2016

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF ENTIRE EQUITY
INTERESTS IN AND SHAREHOLDERS' LOANS
TO COMING WEALTH AND CHEUK TAT**

On 18 August 2016, the Company and the Seller entered into (i) the Coming Wealth SP Agreement, pursuant to which, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Coming Wealth and the Coming Wealth Sale Loan; and (ii) the Cheuk Tat SP Agreement, pursuant to which, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Cheuk Tat and the Cheuk Tat Sale Loan.

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with, among other things, (i) further details of the SP Agreements and the Acquisitions; (ii) recommendations of the Independent Board Committee to the Independent Shareholders regarding the SP Agreements and the Acquisitions; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Target Companies; (v) property valuation reports of the Target Properties; and (vi) a notice convening the EGM and other information as set out in the Appendices to this circular.

The principal terms of the SP Agreements are set out below.

A. THE COMING WEALTH SP AGREEMENT

Date: 18 August 2016

Parties:

- (1) the Company (as the purchaser); and
- (2) the Seller (as the seller).

The Seller is a company incorporated in Hong Kong with limited liability and principally engaged in the business of the provision of financing, property management and consultancy services. The Seller is a wholly-owned subsidiary of CMSK, a controlling shareholder of the Company indirectly holding approximately 74.35% of the issued share capital of the Company, which is in turn controlled by China Merchants Group Limited, a state-owned conglomerate regulated by the State-Owned Assets Supervision and Administration Commission. Accordingly, the Seller and its ultimate controllers are connected persons of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

The Company as the purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Coming Wealth and the Coming Wealth Sale Loan for a total consideration of approximately HK\$505 million (subject to adjustment). The Coming Wealth Sale Loan represents all the outstanding indebtedness, obligations and liabilities owing by Coming Wealth to the Seller as at the Coming Wealth Completion Date, which include but not limited to the construction costs undertaken on the Coming Wealth Property by the Seller. As at 31 July 2016, the Coming Wealth Sale Loan amounted to approximately HK\$283 million. Coming Wealth is the sole registered and beneficial owner of the Coming Wealth Property.

Upon Coming Wealth Completion, Coming Wealth will become a wholly-owned subsidiary of the Company and the Coming Wealth Sale Loan shall be assigned to the Company and owed by Coming Wealth to the Company. For details of the business and financial information of Coming Wealth and Coming Wealth Property, please refer to the paragraphs headed "Information of the Target Properties" and "Financial Information of the Target Companies" in this circular.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the acquisition of the Coming Wealth Sale Shares and the Coming Wealth Sale Loan is approximately HK\$505 million ("**Coming Wealth Pre-Adjustment Consideration**"), subject to the adjustment (if any) as set out below:

- (a) there shall be added to the Coming Wealth Pre-Adjustment Consideration, if the Net Current Tangible Assets Value of Coming Wealth as determined by reference to the Coming Wealth Completion Accounts is more than the Net Current Tangible Assets Value of Coming Wealth as determined by reference to the Coming Wealth Management Accounts, by an amount equals to the increment thereof; and
- (b) there shall be deducted from the Coming Wealth Pre-Adjustment Consideration, if the Net Current Tangible Assets Value of Coming Wealth as determined by reference to the Coming Wealth Completion Accounts is less than the Net Current Tangible Assets Value of Coming Wealth as determined by reference to the Coming Wealth Management Accounts, by an amount equals to the reduction thereof.

Notwithstanding the adjustment mentioned above, the maximum amount of the Coming Wealth Consideration as adjusted (if applicable) shall be capped at approximately HK\$506 million.

The Company will publish an announcement to disclose the final amount of the Coming Wealth Consideration after the adjustment at appropriate time.

The Coming Wealth Consideration shall be paid by the Company to the Seller in cash within 10 Business Days after the Coming Wealth Completion Date.

Basis of the Coming Wealth Consideration

The Coming Wealth Pre-Adjustment Consideration was determined after arm's length negotiation between the Company and the Seller with reference to, among others, (a) the unaudited net liability value of Coming Wealth as at 31 July 2016 in an amount of approximately HK\$23.1 million; (b) difference between the recent market value of Coming Wealth Property (including the CM+ North Tower) as appraised by an independent professional valuer as at 31 July 2016 of approximately HK\$505 million and the net book value of Coming Wealth Property (including the CM+ North Tower) of approximately HK\$259.4 million as at 31 July 2016; and (c) the book value of the Coming Wealth Sale Loan of approximately HK\$283 million as at 31 July 2016.

The Coming Wealth Consideration will be funded by new banking facility of the Group which is expected to be sufficient to cover the Coming Wealth Consideration.

LETTER FROM THE BOARD

Conditions precedent to the Coming Wealth Acquisition

Completion of the Coming Wealth Acquisition is subject to and conditional upon the following conditions precedent being fulfilled or waived (with or without conditions) by the Company or the Seller (as the case may be):-

- (a) the Company having completed its due diligence review on Coming Wealth and the Coming Wealth Property and being satisfied with the results thereof;
- (b) the Seller having shown and proved that Coming Wealth has a good title to the Coming Wealth Property in accordance with sections 13 and 13A of the CPO free from all encumbrances;
- (c) the Seller's representations and warranties remaining true and accurate and not misleading in any material respect as of the Coming Wealth Completion Date by reference to the facts and circumstances subsisting as at the Coming Wealth Completion Date;
- (d) all necessary consents and approvals, including but not limited to approval by the Independent Shareholders at the EGM in accordance with the Listing Rules and/or other applicable laws or regulations, in relation to the transactions contemplated under the Coming Wealth SP Agreement having been obtained and such consents and approvals are valid up to the Coming Wealth Completion Date;
- (e) the Company having completed its internal approval and filing procedures with China Merchants Group Limited; and
- (f) (where applicable) all necessary consents and approvals required to be obtained on the part of the Seller or the Seller's holding companies in relation to the transactions contemplated under the Coming Wealth SP Agreement having been obtained and such consents and approvals should be valid up to the Coming Wealth Completion Date.

The Seller shall use its best endeavours to ensure that the conditions set out above under items (b), (c) and (f) are fulfilled not later than the Coming Wealth Long Stop Date. The Company shall use its best endeavours to ensure that the conditions set out under items (d) and (e) are fulfilled not later than the Coming Wealth Long Stop Date.

The Company may in its absolute discretion at any time before the Coming Wealth Completion waive any of the conditions set out in items (a), (b) and (c) above by notice in writing to the Seller. For the avoidance of doubt, the conditions set out under items (d), (e) and (f) shall not be waivable by any party. As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled, none of the above conditions precedent (which are capable of being waived by the Company) has been waived by the Company and the Company does not have any

LETTER FROM THE BOARD

intention to waive any of the conditions precedent. The purpose of the waiver of conditions precedent in the Coming Wealth SP Agreement was to allow certain commercial flexibility for the Company and the discretion to waive any of the conditions precedent (which are capable of being waived by the Company) was solely exercisable by the Company. Although the Company is entitled to waive the conditions precedent (which are capable of being waived by the Company), the Directors confirm that the discretion would only be exercised when the waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole and would not have any material adverse impact on the substance of the Coming Wealth Acquisition.

Coming Wealth Completion

Completion of the sale and purchase of the Coming Wealth Sale Shares and the Coming Wealth Sale Loan shall take place on the 10th Business Day after all the conditions precedent mentioned above have been fulfilled (or waived, as the case may be) or such other date as may be agreed by the Company and the Seller.

In the event that (i) any of the conditions precedent mentioned above is not fulfilled (or waived if such condition is waivable) on or before the Coming Wealth Long Stop Date; or (ii) the Coming Wealth Completion does not take place as a result of the sole default of the Seller, the Company shall be entitled to forthwith terminate the Coming Wealth SP Agreement by notice in writing to the Seller, whereupon the Coming Wealth SP Agreement shall lapse and no party thereto shall have any liability towards the other (without prejudice to the rights of the parties in respect of any antecedent breaches).

For the avoidance of doubt, the Coming Wealth Completion and Cheuk Tat Completion are not inter-conditional with each other.

Undertakings of the Seller

The Seller undertakes:

- (a) to discharge all outstanding payments and liabilities in connection with the construction of the CM+ North Tower on the Coming Wealth Property and any payments and liabilities due or outstanding under any contracts in connection with the construction of the CM+ North Tower and development of the Coming Wealth Property, whether or not such contracts were entered into by or on behalf of Coming Wealth, and shall indemnify the Company and Coming Wealth against any loss, claims or liabilities arising from non-payment thereof by the Seller;
- (b) to maintain and procure to be maintained all the completed construction works of the CM+ North Tower in such conditions as may be reasonably expected for a newly completed building from the date of the Coming Wealth SP Agreement up to the Coming Wealth Completion Date and the Seller shall make good every defect at its own expense to

LETTER FROM THE BOARD

the satisfaction of the Company during the period commencing on the Coming Wealth Completion Date until the expiry of the twelve (12) months' period after the issuance of the Coming Wealth Occupation Permit; and

- (c) to indemnify and keep fully indemnified the Company and Coming Wealth against all liabilities, losses, claims, damages or compensation costs, expenses and charges whatsoever in relation to or arising out of the execution of the Main Contract and/or any subcontracts and/or orders of works in relation to the performance of the Main Contract (including all variations).

B. THE CHEUK TAT SP AGREEMENT

Date: 18 August 2016

Parties:

- (1) the Company (as the purchaser); and
- (2) the Seller (as the seller).

Assets to be acquired

The Company as the purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Cheuk Tat and the Cheuk Tat Sale Loan for a total consideration of approximately HK\$608 million (subject to adjustment). The Cheuk Tat Sale Loan represents all the outstanding indebtedness, obligations and liabilities owing by Cheuk Tat to the Seller as at the Cheuk Tat Completion Date, which include but not limited to the construction costs undertaken on the Cheuk Tat Property by the Seller. As at 31 July 2016, the Cheuk Tat Sale Loan amounted to approximately HK\$60 million. Cheuk Tat is the sole registered and beneficial owner of the Cheuk Tat Property.

Upon Cheuk Tat Completion, Cheuk Tat will become a wholly-owned subsidiary of the Company and the Cheuk Tat Sale Loan shall be assigned to the Company and owed by Cheuk Tat to the Company. For details of the business and financial information of Cheuk Tat and Cheuk Tat Property, please refer to the paragraphs headed "Information of the Target Properties" and "Financial Information of the Target Companies" in this circular.

Consideration

The aggregate consideration for the acquisition of the Cheuk Tat Sale Shares and the Cheuk Tat Sale Loan is approximately HK\$608 million ("**Cheuk Tat Pre-Adjustment Consideration**"), subject to the adjustment (if any) as set out below:

- (a) there shall be added to the Cheuk Tat Pre-Adjustment Consideration, if the Net Current Tangible Assets Value of Cheuk Tat as determined by

LETTER FROM THE BOARD

reference to the Cheuk Tat Completion Accounts is more than the Net Current Tangible Assets Value of Cheuk Tat as determined by reference to the Cheuk Tat Management Accounts, by an amount equals to the increment thereof; and

- (b) there shall be deducted from the Cheuk Tat Pre-Adjustment Consideration, if the Net Current Tangible Assets Value of Cheuk Tat as determined by reference to the Cheuk Tat Completion Accounts is less than the Net Current Tangible Assets Value of Cheuk Tat as determined by reference to the Cheuk Tat Management Accounts, by an amount equals to the reduction thereof.

Notwithstanding the adjustment mentioned above, the maximum amount of the Cheuk Tat Consideration as adjusted (if applicable) shall be capped at approximately HK\$609 million.

The Company will publish an announcement to disclose the final amount of the Cheuk Tat Consideration after the adjustment at appropriate time.

The Cheuk Tat Consideration shall be settled as follows:

- (a) HK\$61 million (“**Cheuk Tat Deposit**”) shall be paid by the Company to the Seller on or before 30 November 2016 as refundable deposit which shall be applied towards the payment of the Cheuk Tat Consideration on the Cheuk Tat Completion Date; and
- (b) the remaining balance of the Cheuk Tat Consideration shall be paid by the Company to the Seller within ten Business Days after the Cheuk Tat Completion Date.

Basis of the Cheuk Tat Consideration

The Cheuk Tat Pre-Adjustment Consideration was determined after arm’s length negotiation between the Company and the Seller with reference to, among others, (a) the unaudited net liability value of Cheuk Tat as at 31 July 2016 in an amount of approximately HK\$24.5 million; (b) the difference between the gross development value of the Cheuk Tat Property (including the CM+ South Tower) as appraised by an independent professional valuer as at 31 July 2016 of approximately HK\$603 million and the net book value of Cheuk Tat Property (including the CM+ South Tower) of approximately HK\$30.4 million as at 31 July 2016; and (c) the book value of the Cheuk Tat Sale Loan of approximately HK\$60 million as at 31 July 2016.

The Cheuk Tat Consideration is expected to be funded by new banking facility of the Group which is expected to be sufficient to cover the Cheuk Tat Consideration.

LETTER FROM THE BOARD

Conditions precedent to the Cheuk Tat Acquisition

Completion of the Cheuk Tat Acquisition is subject to and conditional upon the following conditions precedent being fulfilled or waived (with or without conditions) by the Company or the Seller (as the case may be):-

- (a) the Company having completed its due diligence review on Cheuk Tat and the Cheuk Tat Property and being satisfied with the results thereof;
- (b) the Seller having shown and proved that Cheuk Tat has a good title to the Cheuk Tat Property in accordance with sections 13 and 13A of the CPO free from all encumbrances;
- (c) the Seller's representations and warranties remaining true and accurate and not misleading in any material respect as of the Cheuk Tat Completion Date by reference to the facts and circumstances as at the Cheuk Tat Completion Date;
- (d) all necessary consents and approvals, including but not limited to approval by the Independent Shareholders at the EGM, in accordance with the Listing Rules and/or other applicable laws or regulations in relation to the transactions contemplated under the Cheuk Tat SP Agreement having been obtained and such consents and approvals are valid up to the Cheuk Tat Completion Date;
- (e) the Company having completed its internal approval and filing procedures with China Merchants Group Limited;
- (f) (where applicable) all necessary consents and approvals required to be obtained on the part of the Seller or the Seller's holding companies in relation to the transactions contemplated under the Cheuk Tat SP Agreement having been obtained and such consents and approvals should be valid up to the Cheuk Tat Completion Date; and
- (g) the Cheuk Tat Occupation Permit (which expression does not mean or include temporary occupation permit) in respect of the CM+ South Tower has been issued by the Building Authority and presented by the Seller to the Company.

The Seller shall use its best endeavours to ensure that the conditions set out above under items (b), (c), (f) and (g) are fulfilled not later than the Cheuk Tat Long Stop Date. The Company shall use its best endeavours to ensure that the conditions set out under items (d) and (e) are fulfilled not later than the Cheuk Tat Long Stop Date.

The Company may in its absolute discretion at any time before the Cheuk Tat Completion waive any of the conditions set out in items (a), (b), (c) and (g) above by notice in writing to the Seller. For the avoidance of doubt, the conditions set out under items (d), (e) and (f) shall not be waivable by any party. As at the Latest

LETTER FROM THE BOARD

Practicable Date, none of the above conditions precedent has been fulfilled, none of the above conditions precedent (which are capable of being waived by the Company) has been waived by the Company and the Company does not have any intention to waive any of the conditions precedent. The purpose of the waiver of conditions precedent in the Cheuk Tat SP Agreement was to allow certain commercial flexibility for the Company and the discretion to waive any of the conditions precedent (which are capable of being waived by the Company) was solely exercisable by the Company. Although the Company is entitled to waive the conditions precedent (which are capable of being waived by the Company), the Directors confirm that the discretion would only be exercised when the waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole and would not have any material adverse impact on the substance of the Cheuk Tat Acquisition.

Cheuk Tat Completion

Completion of the sale and purchase of the Cheuk Tat Sale Shares and the Cheuk Tat Sale Loan shall take place on the 10th Business Day after all the conditions precedent mentioned above have been fulfilled (or waived, as the case may be) or such other date as may be agreed by the Company and the Seller.

In the event that (i) any of the conditions precedent mentioned above is not fulfilled (or waived if such condition is waivable) on or before the Cheuk Tat Long Stop Date; or (ii) the Cheuk Tat Completion does not take place as a result of the sole default of the Seller, the Company shall be entitled to forthwith terminate the Cheuk Tat SP Agreement by notice in writing to the Seller, whereupon the Seller shall forthwith refund to the Company the Cheuk Tat Deposit already paid to it in full and the Cheuk Tat SP Agreement shall lapse and no party thereto shall have any liability under them (without prejudice to the rights of the parties in respect of any antecedent breaches).

For the avoidance of doubt, the Coming Wealth Completion and Cheuk Tat Completion are not inter-conditional with each other.

Undertakings of the Seller

The Seller undertakes:

- (a) to procure the construction of the CM+ South Tower and development of the Cheuk Tat Property to continue since the date of the Cheuk Tat SP Agreement in an expeditious manner in accordance with the approved plans in relation to the Cheuk Tat Property until the Cheuk Tat Occupation Permit is issued;
- (b) to liaise and coordinate with and prepare the documentation and handle the application with all the relevant authorities for obtaining the Cheuk Tat Occupation Permit to be issued by the Building Authority no later than 31 December 2017 or such later date as may be agreed in writing between the Company and the Seller;

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- (c) to discharge all outstanding payments and liabilities in connection with the construction of the CM+ South Tower on the Cheuk Tat Property and any payments and liabilities due or outstanding under any contracts in connection with the construction of the CM+ South Tower and development of the Cheuk Tat Property, whether or not such contracts were entered into by or on behalf of Cheuk Tat, and shall indemnify the Company and Cheuk Tat against any loss, claims or liabilities arising from non-payment thereof by the Seller;
- (d) to maintain and procure to be maintained all the completed construction works of the CM+ South Tower in such conditions as may be reasonably expected for a newly completed building from the date of the Cheuk Tat SP Agreement up to the Cheuk Tat Completion Date and the Seller shall make good every defect at its own expense to the satisfaction of the Company during the twelve (12) months' period after the issuance of the Cheuk Tat Occupation Permit; and
- (e) to indemnify and keep fully indemnified the Company and Cheuk Tat against all liabilities, losses, claims, damages or compensation costs, expenses and charges whatsoever in relation to or arising out of the execution of the Main Contract and/or any subcontracts and/or orders of works in relation to the performance of the Main Contract (including all variations).

INFORMATION OF THE TARGET PROPERTIES

Each of Coming Wealth and Cheuk Tat is a company incorporated in Hong Kong primarily engaged in property development and is the registered and beneficial owner of the Coming Wealth Property and the Cheuk Tat Property respectively.

Coming Wealth Property and CM+ North Tower

Coming Wealth Property is all that piece or parcel of ground registered in the Land Registry as the Remaining Portion of Marine Lot No. 415 together with the messuages erections and buildings erected thereon known at the date hereof as No. 16 Connaught Road West, Hong Kong with a total site area of approximately 236 square meters. Based on the information provided by the Seller, as at the Latest Practicable Date, (i) the foundation works and superstructure works undertaken on the CM+ North Tower have been completed and the Coming Wealth Occupation Permit has been issued by the Building Authority on 4 November 2015; (ii) Coming Wealth Property is free from encumbrances; and (iii) CM+ North Tower comprises the whole block of 31-storey serviced apartment building completed in 2015, with 54 guest rooms provided for domestic use with an aggregate gross floor area of approximately 3,541 square meters. CM+ North Tower on the Coming Wealth Property has commenced commercial operation since it entered into the first lease agreement in April 2016 and a total of eleven guest rooms were leased out as at the Latest Practicable Date.

LETTER FROM THE BOARD

Cheuk Tat Property and the CM+ South Tower

Cheuk Tat Property is all those pieces or parcels of ground respectively registered in the Land Registry as Inland Lot Nos. 6340, 6341, 6356 and 6357 together with the messuages erections and buildings erected thereon known at the date hereof as Nos. 23 and 25 Tung Loi Lane and Nos. 30 and 32 New Market Street, Hong Kong with a total site area of approximately 363 square meters. Based on the information provided by the Seller, CM+ South Tower is a partially completed building with its foundation works completed and its superstructure works commenced in around March 2016 which are expected to be completed in the third quarter of 2017. According to the approved plans approved by the Building Authority for the development of the Cheuk Tat Property, upon completion of the superstructure works thereon, the CM+ South Tower shall consist of, among other things, a 30-storey serviced apartment building with a total of 81 guest rooms for domestic use with an aggregate gross floor area of approximately 5,448 square meters. Taking into account information obtained from the Seller and the Cheuk Tat Long Stop Date, the Company expects that Cheuk Tat Property will commence leasing operations in the second quarter of 2018. Pursuant to the Cheuk Tat SP Agreement, the CM+ South Tower to be delivered to the Company on completion will be completed up to the issue of the Cheuk Tat Occupation Permit. Thereafter, the Group will procure and will bear the costs associated with the interior fit-out works for the CM+ South Tower until it is fit for commercial operation as a serviced apartment and such cost is estimated to be approximately HK\$57 million based on information available as at the Latest Practicable Date.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

Set out below are the audited profit/(loss) before and after taxation of each of the Target Companies for the respective periods:

Coming Wealth

	For the year ended 31 December	
	2014	2015
	<i>(HK\$)</i>	<i>(HK\$)</i>
Loss before and after taxation	31,598	332,489

Cheuk Tat

	For the year ended 31 December	
	2014	2015
	<i>(HK\$)</i>	<i>(HK\$)</i>
Profit before and after taxation	935,051	693,702

LETTER FROM THE BOARD

The net liability value of Coming Wealth as at 31 July 2016 based on unaudited financial statements of Coming Wealth was approximately HK\$23.1 million. The net liability value of Cheuk Tat as at 31 July 2016 based on unaudited financial statements of Cheuk Tat was approximately HK\$24.5 million.

The total market value of Coming Wealth Property (including the CM+ North Tower) as at 31 July 2016 was approximately HK\$505 million based on the valuation by an independent valuer. Assuming as of 31 July 2016 Cheuk Tat has obtained the Cheuk Tat Occupation Permit and CM+ South Tower still needs to complete the interior fit-out works before it commences operation for leasing, based on the valuation by the independent valuer, the gross development value of Cheuk Tat Property (including the CM+ South Tower) as at 31 July 2016 was approximately HK\$603 million. The text of the property valuation reports of the said independent valuer, Jones Lang Lasalle Corporate Appraisal & Advisory Limited, is set out in Appendix I to this circular.

Based on the information provided by the Seller, the original acquisition costs of the Coming Wealth Sale Shares and the Cheuk Tat Sale Shares were HK\$2.0 and HK\$52.7 million respectively. At the time when the Seller acquired the Cheuk Tat Sale Shares, the assets of Cheuk Tat included other properties which had been disposed of by Cheuk Tat before entering into the Cheuk Tat SP Agreement. The Coming Wealth Sale Loan and the Cheuk Tat Sale Loan mainly comprise the construction costs incurred and (in respect of Cheuk Tat only) to be incurred in the construction and development of the Coming Wealth Property and the Cheuk Tat Property respectively. As CM+ North Tower and CM+ South Tower were developed by the Seller, there was no original acquisition cost of any of them to the Seller.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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.

In view that the Target Properties are located in close proximity to the prime financial and commercial districts on the Hong Kong Island as well as public transportation network, the Company intends to operate the CM+ North Tower and the CM+ South Tower (upon issuance of the Cheuk Tat Occupation Permit) as serviced apartments after completion of the Acquisitions, and establish an operation service team to tap into the long-term apartment rental market with a view to creating profit growth potential for the Group. The Directors believe that the Acquisitions represent good opportunities for the Group to diversify and expand its investment portfolio, as well as creating a new model of professional operation income, building an asset base for the transformation into the light business model of “professional operation + property finance” in the future, which are in line with the business strategy of the Group. The Company may also consider developing and operating one or both of the Target Properties as hotels in the future provided that the Group obtains a Hotel Licence to be issued to such Target Company in respect of such Target Property.

LETTER FROM THE BOARD

The terms of each of the SP Agreements have been arrived at after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of each of the SP Agreements and the Acquisitions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Mr. Xu Yongjun, a non-executive Director, is a director and general manager of CMSK. Mr. Huang Junlong, a non-executive Director, is the chief financial officer of CMSK. Mr. Yan Chengda, a non-executive Director, is a senior consultant of CMSK. Ms. Liu Ning, a non-executive Director, is a board secretary of CMSK. Mr. Wong King Yuen, an executive Director, is the director and general manager of the Seller and China Merchants Property Agency Limited, both of which are wholly-owned subsidiaries of CMSK. The Seller is a wholly-owned subsidiary of CMSK. In order to avoid any actual or potential conflict of interest, each of them had abstained from voting at the relevant Board meeting on the relevant Board resolutions approving the SP Agreements and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As some of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisitions (by reference to the capped amounts of the Coming Wealth Consideration and the Cheuk Tat Consideration) are more than 5% but less than 25%, the Acquisitions on an aggregate basis constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Seller is a wholly-owned subsidiary of CMSK. CMSK is the controlling shareholder of the Company holding approximately 74.35% of the issued share capital of the Company and hence a connected person of the Company. The Seller as an associate of CMSK is also a connected person of the Company. Therefore, the Acquisitions also constitute connected transactions under Chapter 14A of the Listing Rules.

As such, the Acquisitions are therefore also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the SP Agreements and the transactions contemplated thereunder. In accordance with the Listing Rules, Success Well and its associates shall abstain from voting on the resolutions approving the SP Agreements and the transactions contemplated thereunder for their having a material interest in the same. As at the Latest Practicable Date, based on the knowledge and information of the Directors having made all reasonable enquiries, Success Well and its associates together hold approximately 74.35% of the issued share capital of the Company.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

LETTER FROM THE BOARD

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

In order to determine members who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from 6 October 2016 to 11 October 2016, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 October 2016.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

RECOMMENDATION

China Merchants Securities (HK) Co., Limited has been appointed as the financial adviser to the Company in relation to the Acquisitions.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of each of the SP Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Altus has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser), believe that the terms of the SP Agreements and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolutions in respect of the SP Agreements and the Acquisitions to be proposed at the EGM.

Yours faithfully,
On behalf of the Board
China Merchants Land Limited
Xu Yongjun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the SP Agreements and the Acquisitions.



15 September 2016

To the Independent Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF ENTIRE EQUITY
INTERESTS IN AND SHAREHOLDERS' LOANS
TO COMING WEALTH AND CHEUK TAT**

We refer to the circular dated 15 September 2016 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the terms of the SP Agreements and the Acquisitions and to advise you as to whether, in our opinion, the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and as to their approval of the same. Altus has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser set out on pages 24 to 42 of the circular.

We also wish to draw your attention to the “Letter from the Board” and the additional information set out in the appendices to the circular.

Taking into account the terms of the SP Agreements and the Acquisitions contemplated thereunder and the independent advice from Altus, we consider that (i) the Acquisitions are on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the SP Agreements are also fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the SP Agreements and the Acquisitions at the EGM.

Yours faithfully,
The Independent Board Committee of
China Merchants Land Limited
Dr. WONG Wing Kuen, Albert
Ms. CHEN Yanping,
Dr. SHI Xinping,
Mr. HE Qi
Independent non-executive Directors

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Acquisitions contemplated thereunder, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

21 Wing Wo Street
Central
Hong Kong

15 September 2016

*To the Independent Board Committee and
the Independent Shareholders*

China Merchants Land Limited
Rooms 2603 to 2606, 26/F
China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central,
Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF ENTIRE EQUITY INTERESTS IN AND SHAREHOLDERS' LOANS TO COMING WEALTH AND CHEUK TAT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Acquisitions contemplated thereunder. Details of the SP Agreements are set out in the "Letter from the Board" contained in the circular of the Company dated 15 September 2016 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Acquisitions

On 18 August 2016, the Company and the Seller entered into the SP Agreements, whereby

- (i) the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Coming Wealth and the Coming Wealth Sale Loan for a total consideration of approximately HK\$505 million (subject to adjustment); and

LETTER FROM ALTUS

- (ii) the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital of Cheuk Tat and the Cheuk Tat Sale Loan for a total consideration of approximately HK\$608 million (subject to adjustment).

LISTING RULES IMPLICATION

As some of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisitions (by reference to the capped amounts of the Coming Wealth Consideration and the Cheuk Tat Consideration) are more than 5% but less than 25%, the Acquisitions on an aggregate basis constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Seller is a wholly-owned subsidiary of CMSK. CMSK is the controlling shareholder of the Company, indirectly holding through controlled corporations (including Success Well) approximately 74.35% of the issued share capital of the Company, and hence, a connected person of the Company. The Seller as an associate of CMSK is also a connected person of the Company. Therefore, the Acquisitions also constitute connected transactions under Chapter 14A of the Listing Rules.

The Acquisitions are therefore also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the SP Agreements and the transactions contemplated thereunder.

As at the Latest Practicable Date, based on the knowledge and information of the Directors having made all reasonable enquiries, Success Well and its associates together hold approximately 74.35% of the issued share capital of the Company. In accordance with the Listing Rules, Success Well and its associates shall abstain from voting on the resolutions approving the SP Agreements and the transactions contemplated thereunder for their having a material interest in the same.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi, has been established to consider the Acquisitions and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the SP Agreements are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisitions were entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the SP Agreements and the transactions contemplated thereunder to be proposed at the EGM.

LETTER FROM ALTUS

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the SP Agreements are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisitions were entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the SP Agreements and the transactions contemplated thereunder to be proposed at the EGM.

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the SP Agreements and the transactions contemplated thereunder is at a market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

In relying on the property valuation reports (the “**Valuation Reports**”) set out in Appendix I to the Circular, we have considered the fairness, reasonableness and completeness of the assumptions made by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) in the Valuation Reports. Regarding the opinion or valuation of the Valuer in relation to each Target Property, we have interviewed the Valuer as to its expertise and any current or prior relationships with the Company or any of their respective subsidiaries or associates; reviewed the terms of engagement and scope of work of the Valuer, in particular, as to whether it is subject to any limitations that might undermine the level of assurance given with respect to the Valuation Reports; and

discussed with the Valuer its work done in preparation of the Valuation Reports. We have also reviewed the credentials provided by the Valuer and publicly available information on the Valuer's experience in performing property valuations for companies listed on the Stock Exchange.

Based on our discussions with the Valuer, together with our assessment of its profile and experience in performing property valuation services, we are not aware of any matters that would cause us to doubt the Valuer's independence and expertise in relation to the engagement, and with particular attention to its scope of work, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Reports set out in Appendix I to the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

1.1 Principal business of the Group

According to the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), the Company is an investment holding company. Its subsidiaries are principally engaged in the development and sale, and lease of properties (the "**Property Business**"); and the sale of electronic and electrical related products and building related materials and equipment. Reference is made to the Company's annual reports for each of the three years ended 31 December 2013, 2014 and 2015. For each of the relevant periods, the Property Business had been the main business segment of the Group, generating over 98.8% of its revenue.

The Group's Property Business focuses on first and second tier cities in the PRC to improve its profitability. As at 30 June 2016, the Group recorded investment properties of approximately Renminbi ("**RMB**") 21.3 million in value, which generated approximately RMB2.0 million in rental income for the six months ended 30 June 2016. As at the same date, the Group had a property development portfolio with total gross floor area of approximately 11.6 million square metres, approximately 6.4 million square metres of which represented its land bank, and it had a total of 26 property development projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on residential properties as well as residential and commercial complex properties.

As disclosed in the 2015 Annual Report and an announcement of the Company dated 18 August 2016 in relation to the interim results for the six months ended 30 June 2016 (the "**2016 Interim Results Announcement**"), the Group intends to progressively expand into overseas markets and enhance its property investment business.

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In view of the Group's main business segment, the Property Business, and business strategy, to expand into overseas markets and enhance its property investment business, together with the objective to invest in and operate the Target Properties in Hong Kong (as further described in the paragraph headed "2. Background information of the Target Companies and Target Properties" below), we consider that the Acquisitions fall within the ordinary and usual course of business of the Group.

1.2 *Financial information of the Group*

Set out below are the operating results of the Group for the year ended 31 December 2014 and 2015 and for the six months ended 30 June 2015 and 2016, as extracted from the 2015 Annual Report and 2016 Interim Results Announcement, respectively.

	For the year ended		For the six months ended	
	31 December		30 June	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	7,440,436	6,394,944	1,395,012	3,333,401
Gross profit	2,072,912	1,556,932	596,133	709,739
Profit and total comprehensive income attributable to owners of the Company	380,245	209,847	130,871	57,695

Source: 2015 Annual Report and 2016 Interim Results Announcement

For the year ended 31 December 2015

Revenue for the year ended 31 December 2015 was approximately RMB6.4 billion, representing a decrease of approximately 14.1% from approximately RMB7.4 billion for the same period in 2014. Such decrease was mainly attributable to decrease in total gross floor area completed and delivered during the year ended 31 December 2015. Notwithstanding, rental income from the Group's investment properties increased from approximately RMB4.6 million for the year ended 31 December 2014 to approximately RMB4.7 million for the year ended 31 December 2015.

Gross profit dropped by approximately 24.9% from approximately RMB2.1 billion for the year ended 31 December 2014 to approximately RMB1.6 billion for the year ended 31 December 2015. Such decline was due to the decrease in the total gross floor area completed and delivered during the year ended 31 December 2015.

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The Group incurred approximately RMB155.7 million net foreign exchange loss in the year ended 31 December 2015 as compared to approximately RMB28.8 million gain during the same period in 2014, mainly due to depreciation of the RMB against the U.S. Dollar (“US\$”). As a result, the Group recorded approximately RMB185.4 million in profit attributable to the owners of the Company for the year ended 31 December 2015, representing a decline of approximately 51.2% from approximately RMB380.2 million for the preceding year.

For the six months ended 30 June 2016

According to the 2016 Interim Results Announcement, the Group recorded revenue growth from approximately RMB1.4 billion for the six months ended 30 June 2015 to approximately RMB3.3 billion for the corresponding period in 2016, representing a significant increase of approximately 139.0%. Such increase was mainly due to increased gross floor area completed and delivered in the first half of 2016.

As properties completed and delivered during the first half of 2016 increased in terms of gross floor area, the properties were mainly held by project companies in which the Group held relatively low equity interest, the Group recorded approximately RMB50.5 million of profit attributable to owners of the Company for the six months ended 30 June 2016, representing a decrease of approximately 61.4% as compared with the same period last year. The decrease was also due to net foreign exchange loss as compared to gain over the same period in 2015, mainly due to depreciation of the RMB against US\$; and fair value loss on derivative financial instruments as a result of the issuance of convertible bonds on 23 June 2015 by the Group.

	As at 31 December		As at
	2014	2015	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Net assets	10,924,717	11,685,090	12,180,861
Total liabilities	22,675,205	27,178,625	31,453,086
Properties for sale	25,659,370	29,323,044	29,993,632
Investment properties	22,676	21,759	21,301
Bank balances and cash	4,184,366	3,697,337	4,742,681

Source: 2015 Annual Report and 2016 Interim Results Announcement

LETTER FROM ALTUS

The Group recorded net asset growth from approximately RMB10.9 billion as at 31 December 2014 to approximately RMB11.7 billion as at 31 December 2015, representing an increase of approximately 7.0%. Total liabilities of the Group increased from approximately RMB22.7 billion as at 31 December 2014 to approximately RMB27.2 billion as at 31 December 2015, representing an increase of approximately 19.9%. Such increase was mainly due to issuance of convertible bonds in the year ended 31 December 2015.

Properties for sale of the Group increased from approximately RMB25.7 billion as at 31 December 2014 to approximately RMB29.3 billion as at 31 December 2015, representing an increase of approximately 14.3%. Slower than expected property sales were mainly due to increased competition in the property market of Chongqing and Foshan during the year ended 31 December 2015; a shorter than expected pre-sales period; and some property development projects having higher proportion of commercial properties, the sell-through rate of which was relatively low. Bank balances and cash of the Group decreased from approximately RMB4.2 billion as at 31 December 2014 to approximately RMB3.7 billion as at 31 December 2015, mainly due to increased investment activities and higher repayment of bank borrowings during the year ended 31 December 2015.

As at 31 December 2015, total interest-bearing debt of the Group increased from approximately RMB9.6 billion as at 31 December 2014 to approximately RMB11.8 billion as at 31 December 2015. Such increase was mainly due to loans from equity holders, which grew from approximately RMB1.1 billion as at 31 December 2014 to approximately RMB2.5 billion as at 31 December 2015, representing an increase of approximately 120.6%; and issuance of convertible bonds on 23 June 2015, which had a fair market value of approximately RMB1.5 billion as at 31 December 2015. As at 31 December 2015, bank and other borrowings due within a year amounted to approximately RMB1.1 billion, representing approximately 24.3% of the Group's total bank and other borrowings.

As at 30 June 2016, the Group recorded net asset growth from approximately RMB11.7 billion as at 31 December 2015 to approximately RMB12.2 billion as at 30 June 2016, representing an increase of approximately 4.2%. Such growth was mainly attributable to new deposits paid for acquisition of land use rights in the PRC. Total liabilities of the Group increased from approximately RMB27.2 billion as at 31 December 2015 to approximately RMB31.5 billion as at 30 June 2016, representing an increase of approximately 15.7%. Such increase was mainly due to higher deposits received in respect of pre-sale of properties. Properties for sale of the Group increased from approximately RMB29.3 billion as at 31 December 2015 to approximately RMB30.0 billion as at 30 June 2016, representing an increase of approximately 2.3%. Bank balances and cash of the Group increased from approximately RMB3.7 billion as at 31 December 2015 to approximately RMB4.7 billion as at 30 June 2016, mainly due to higher deposits received in respect of pre-sale of properties.

LETTER FROM ALTUS

As at 30 June 2016, the Group recorded total interest-bearing debt of approximately RMB12.4 billion, consisting of (i) bank and other borrowings of approximately RMB5.8 billion; (ii) loans from equity holders of approximately RMB1.6 billion; (iii) bonds payable maturing in December 2018 with fair market value of approximately RMB3.3 billion; and (iv) convertible bonds maturing in June 2020 with fair market value of approximately RMB1.6 billion.

1.3 Outlook of the Group

Reference is made to the 2016 Interim Results Announcement. The Management takes the view that the central government of the PRC is unlikely to introduce national real estate easing policies in the second half of the year ending 31 December 2016. In addition, the Management expects that investment in real estate development in the same period will experience slow growth.

In this connection, we have considered data published by the National Bureau of Statistics of China (the “NBSC”) on the national property market of the PRC, which indicate that the growth rate of total land bank purchased by real estate industry has been slowing down, with the average monthly land bank purchased of approximately 27.8 million square metres, 19.0 million square metres, and 16.0 million square metres for the year ended 31 December 2014, 2015 and the seven months ended 31 July 2016, respectively.

Given the property landscape in the PRC, the Management takes the view that the property market in the PRC may enter into an adjustment period, evidenced by the continuous trend of differentiation in regions and cities and more frequent acquisitions and mergers and reorganisation activities in the industry. In addition, the Group has implemented plans to expand overseas, leveraging on its offshore listing platform as well as the resources of CMSK and the wider China Merchants Group.

In line with industry trends and market dynamics, the Group intends to further develop its property investment business overseas and in particular, tap the long-term apartment rental market in Hong Kong as a source of recurring and more predictable income as compared to its property development projects. According to the 2015 Annual Report, the Group’s investment properties all had committed tenants from one to eight years. Moreover, as exemplified by the Acquisitions, which are for completed properties fit for the Group’s purposes, return in the form of rental income may be realisable within a comparatively short period.

Having considered the above, we are of the view that the Acquisitions are in the ordinary and usual course of business of the Group.

2. Background information of the Target Companies and Target Properties

2.1 Background of the Target Companies

Each of Coming Wealth and Cheuk Tat is the registered and beneficial owner of its sole property, the Coming Wealth Property and the Cheuk Tat Property, respectively.

With reference to the relevant Valuation Report, the Coming Wealth Property has a total site area of approximately 236 square metres and includes CM+ North Tower, which comprises a 31-storey serviced apartment building completed in 2015, with 54 guest rooms provided for domestic use with an aggregate gross floor area of approximately 3,541 square metres. CM+ North Tower on the Coming Wealth Property has commenced commercial operation since it entered into the first lease agreement in April 2016 and a total of eleven guest rooms were leased out as at the Latest Practicable Date.

With reference to the relevant Valuation Report, the Cheuk Tat Property has a total site area of approximately 363 square metres and includes the CM+ South Tower, a building slated for completion in the third quarter of 2017. According to the plans approved by the Building Authority for the development of the Cheuk Tat Property, it shall consist of, among other things, a 30-storey serviced apartment building with a total of 81 guest rooms for domestic use with an aggregate gross floor area of approximately 5,448 square metres.

As stated in the "Letter from the Board" of the Circular, the Company expects that Cheuk Tat Property will commence leasing operations in the second quarter of 2018. Pursuant to the Cheuk Tat SP Agreement, the CM+ South Tower to be delivered to the Company on completion will be completed up to the issue of the Cheuk Tat Occupation Permit. Thereafter, the Group will procure and will bear the costs associated with the interior fit-out works for the CM+ South Tower until it is fit for commercial operation as a serviced apartment and such cost is estimated to be approximately HK\$57 million based on information available as at the Latest Practicable Date.

Based on the Valuation Reports:

- (i) the total market value of Coming Wealth Property (including the CM+ North Tower) as at 31 July 2016 was approximately HK\$505 million; and
- (ii) the gross development value of Cheuk Tat Property (including the CM+ South Tower) as at 31 July 2016 was approximately HK\$603 million based on the valuation by the Valuer, assuming as at the same date, Cheuk Tat has obtained the Cheuk Tat Occupation Permit but has yet to complete the interior fit-out works before leasing operations of CM+ South Tower commence.

LETTER FROM ALTUS

2.2 *Operating results of the Target Companies*

Set out below are the audited profit/(loss) before and after taxation of each of the Target Companies for the respective periods:

Coming Wealth	For the year ended 31 December	
	2014	2015
	<i>(HK\$)</i>	<i>(HK\$)</i>
Loss before and after taxation	31,598	332,489
Cheuk Tat	For the year ended 31 December	
	2014	2015
	<i>(HK\$)</i>	<i>(HK\$)</i>
Profit before and after taxation	935,051	693,702

Coming Wealth commenced leasing operations in May 2016. As such, no revenue therefrom was recognised during the two years ended 31 December 2015; its losses for the same period were mainly attributable to administrative expenses.

Profit of Cheuk Tat for the two years ended 31 December 2015 was mainly attributable to net income generated by its provision of catering services, which we understand from the Management will cease on or before the Cheuk Tat Completion Date.

Each of Coming Wealth and Cheuk Tat recorded unaudited net liabilities of approximately HK\$23.1 million and HK\$24.5 million, respectively, as at 31 July 2016. Such net liabilities mainly arose from the Sale Loans.

3. **Reasons and benefits for the Acquisitions**

As stated in the “Letter from the Board” of the Circular, the Target Properties are located in close proximity to the prime financial and commercial districts on the Hong Kong Island as well as public transportation network. As described in the Valuation Reports, the area in which the Target Properties are located is well served by public transport with buses, private light buses and taxis running along Connaught Road West, and the Sheung Wan MTR exit is within 5 to 10 minutes’ walk of the Target Properties. In this connection, we understand from the Management that the Group’s existing property investment portfolio consists of mainly residential properties in first or second-tier cities and in close proximity to central business districts, transportation links and/or main thoroughfares and note that the Target Properties are complementary to the same.

LETTER FROM ALTUS

In addition to expansion of the Group's property investment portfolio, the Management believes that the Acquisitions represent good opportunities to diversify the same with respect to geographical location. In this regard, we understand from the Management that the CM+ North Tower and CM+ South Tower are intended to provide the Company with a foothold in the investment property market in Hong Kong, as it continues to expand overseas.

We understand from the Management that the Company intends to operate the CM+ North Tower and (upon issuance of the Cheuk Tat Occupation Permit and completion of interior fitting-out of CM+ South Tower to be carried out by the Company) CM+ South Tower as serviced apartments after completion of the Acquisitions and to establish through the Acquisitions an operation service team. The Company may consider developing and operating one or both of the Target Properties as hotels in the future, provided that a Hotel Licence is issued to such Target Company in respect of such Target Property. We note that the above plans are in line with the Group's business strategy to generate income through investment property operations.

According to data published by the Rating and Valuation Department of HKSAR, it is noted that the average monthly rent of private domestic residences of approximately 40 square metres to 70 metres in saleable area had increased steadily from HK\$314 to HK\$392 per square metre between 2011 and 2015, and the occupancy rate of private domestic residences of approximately 100 square metres or less in saleable area had remained relatively high between 96.1% and 96.7% during the same period. In addition, we noted from data published by Hong Kong Tourism Board that hotel occupancy rate for each of the six months ended 30 June 2015 and 2016 had remained steady at about 84% to 85%, notwithstanding a decrease in total visitor arrival of approximately 7.4% during the six months ended 30 June 2016 as compared to the corresponding period in the preceding year.

Taking into account the continuing and growing demand for private domestic residences and hotel rooms, the Group's business strategy and its intention to operate the Target Properties as serviced apartments and subject to obtaining Hotel Licence(s), to possibly operate one or both of them as hotels, the Group considers the Acquisitions good opportunities to expand its property investment portfolio. With the Target Properties forming the asset base for its "professional operation + property finance" income model and having considered the possible financial effect of the Acquisitions below, we note that the Acquisitions are representative of the Group's quality and sustainable business development and property project hallmarks of progress, quality, safety, customer services as well as cost and marketing.

Having consider the abovementioned factors, we concur with the Directors that the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Valuation of the Target Properties

4.1 Valuation methodology

We understand from the Management that each of the Target Properties is acquired for investment and is generating or expected to generate rental income, as the case may be. In assessing the fairness and reasonableness of the valuation methodology adopted by the Valuer, we have reviewed the Valuation Reports and discussed with the Valuer (i) the methodology and assumptions used in performing the valuations; and (ii) whether the methodology is appropriate for valuation of the Target Properties. Details of the valuation of each of the Target Properties of the respective Target Companies are contained in the Valuation Reports, as set out in Appendix I to the Circular. In particular, we note that the valuation methodology used:

- (i) in relation to the Coming Wealth Property, is the income approach by taking into account the rental income of the property derived from the existing leases and achievable in the existing market, which has then been capitalised to determine the market value at an appropriate capitalisation rate; and
- (ii) in relation to the Cheuk Tat Property, is the income approach by taking into account the rental income of the property achievable in the existing market, which has then been capitalised to determine the market value at an appropriate capitalisation rate.

We are advised by the Valuer that where relevant market transactions are available, the direct comparison approach is applied as a cross-check against findings from the aforementioned direct capitalisation approach. The direct comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors. We have reviewed the selection of relevant market transactions by the Valuer and have been satisfied that it was made to arrive at a fair comparison of capital value.

However, we note that the Valuer's application of the direct comparison approach is limited. In this connection, we are advised by the Valuer, and having reviewed data published by The Land Registry, we concur, that there were limited market transactions involving properties of a nature and locale similar to the Target Properties from 2014 to the date of the valuation of the Target Properties. As such, the Valuer believes, and we concur, that the direct comparison approach on its own would not have been a suitable methodology with respect to the Target Properties.

We are advised by the Valuer that the valuation of the Target Properties was carried out in compliance with the RICS Valuation – Professional Standards; HKIS Valuation Standards and International Valuation Standards.

Taking into account the above and our discussions with the Valuer, we consider the valuation methodology is fair and reasonable, and appropriate with respect to the Target Properties.

4.2 Valuation assumptions

The valuations were based on underlying assumptions, including: (i) capitalisation rate of 3.8% based on gross yields of serviced apartments in Hong Kong; (ii) occupancy rate of 90% based on data published by the Hong Kong Tourism Board on hotel occupancy rates in Hong Kong, in particular, the Central/Western district, from January 2015 to May 2016; (iii) in relation to guest rooms, average rental rate per guest room based on existing leases of CM+ North Tower and rental rates of private domestic residences and other serviced apartments achievable in the vicinity of the Target Properties; and (iv) in relation to the proposed restaurant in CM+ South Tower, rental rates of retail and office units, also in the vicinity of the Target Properties. Having discussed with the Valuer, we understand that such assumptions are generally adopted in similar valuation activities and are necessary for the Valuer to arrive at a reasonable estimated value of the relevant properties.

As described in the paragraph headed “5.1 Conditions precedent and undertakings of the Seller”, it is noted that completion of the acquisition of Cheuk Tat and the underlying Cheuk Tat Property is conditional upon, among other things, the issue of the Cheuk Tat Occupation Permit in respect of the CM+ South Tower and presentation of the same by the Seller to the Company. We further note the Seller undertakes to discharge all outstanding payments and liabilities in connection with the construction of the CM+ North Tower and CM+ South Tower, and further, procure the construction of the CM+ South Tower and development of the Cheuk Tat Property to continue since the date of the Cheuk Tat SP Agreement in an expeditious manner in accordance with the approved plans in relation to the Cheuk Tat Property until the Cheuk Tat Occupation Permit is issued. Accordingly, the Valuer assumed that the Cheuk Tat Property had successfully obtained Cheuk Tat Occupation Permit.

Having reviewed the SP Agreements, under which the Seller undertakes, *inter alia*, to procure the construction of the CM+ South Tower and development of the Cheuk Tat Property in accordance with plans already approved by the Building Authority and discussed the procedures for obtaining Cheuk Tat Occupation Permit with the Management, who had not noted any material obstacle to the Company obtaining the same, we are satisfied that the abovementioned valuation assumptions are fair, reasonable and complete in relation to the Valuation Reports.

4.3 Valuer’s competence

In addition, we have reviewed the qualifications and working experience of Mr. Gilbert Chan, national director of valuation and advisory services at Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is responsible for signing the Valuation Reports. We note that Mr. Chan has over 23 years’ experience in property valuation in Hong Kong, PRC, Korea and India property markets. He has conducted valuations for a number of companies listed on the Stock Exchange in recent years. Furthermore, we note from publicly available documents that the

Valuer has substantial experience in providing valuation services to listed companies. Hence, we are satisfied that the Valuer has sufficient experience and competency to perform the valuations.

As set out above, we are satisfied that (i) the Valuer is independent from the Company and has sufficient experience and competency to perform the valuations; (ii) the Valuer's scope of work is appropriate for the abovementioned engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair, reasonable and complete in relation to the Valuation Reports. Based on the above, we are of the view that the valuation of the Target Properties by the Valuer is fair and reasonable.

5. Principal terms of the Acquisitions

To assess the fairness and reasonableness of the Acquisitions, we have reviewed the SP Agreements and considered, among others, the following terms of the Acquisitions.

5.1 Conditions precedent and undertakings of the Seller

Please refer to the sub-sections of the "Letter from the Board" of the Circular headed "Conditions precedent to the Coming Wealth Acquisition" and "Conditions precedent to the Cheuk Tat Acquisition" for details of the conditions precedent under the SP Agreements and those headed "Undertakings of the Seller" for details of Seller's Warranties under the SP Agreements.

We note that the conditions precedent include but are not limited to the Seller having shown and proven good title to the Target Properties free of all encumbrances, and in relation to the Cheuk Tat Property, issue of the Cheuk Tat Occupation Permit in respect of the CM+ South Tower and presentation of the same by the Seller to the Company. We further note that the Seller undertakes to discharge all outstanding payments and liabilities in connection with the construction of the CM+ North Tower and CM+ South Tower, and further, procure the construction of the CM+ South Tower and development of the Cheuk Tat Property to continue from the date of the Cheuk Tat SP Agreement in an expeditious manner and in accordance with the approved plans in relation to the Cheuk Tat Property until the Cheuk Tat Occupation Permit is issued.

The Coming Wealth Completion and the Cheuk Tat Completion are subject to fulfilment of all the conditions precedent before the Coming Wealth Long Stop Date, being 31 December 2016 or such other date as agreed in writing between the Company and the Seller, and Cheuk Tat Long Stop Date, being 31 March 2018 or such other date as agreed in writing between the Company and the Seller, respectively. In this connection, we note that the Cheuk Tat Deposit is fully refundable, should the conditions precedent not be fulfilled by the Long Stop Date.

LETTER FROM ALTUS

We note that the conditions precedent set out above are normal commercial terms and found them to be fair and reasonable. We further note that such conditions precedent effectively provide for delivery of the Target Properties fit for operation as serviced apartments by the Seller (with the exception of interior fitting-out of CM+ South Tower to be carried out by the Company), developed and completed according to the approved building plans, with all development costs paid and settled, as well as the necessary regulatory approvals and permits, and that under the SP Agreements, the Coming Wealth Completion and Cheuk Tat Completion are not inter-conditional with each other.

As stated in the “Letter from the Board” of the Circular, as at the Latest Practicable Date, none of the above conditions precedent has been fulfilled, none of the above conditions precedent (which are capable of being waived by the Company) has been waived by the Company and the Company does not have any intention to waive any of the conditions precedent, and the Company will only exercise its discretion to waive the conditions precedent when such waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole and would not have any material adverse impact on the substance of the Acquisitions.

5.2 *Consideration*

We understand from the Management that each of the Coming Wealth Pre-Adjustment Consideration of approximately HK\$505 million (subject to adjustment but capped at HK\$506 million) and the Cheuk Tat Pre-Adjustment Consideration of approximately HK\$608 million (subject to adjustment but capped at HK\$609 million) was determined after arm’s length negotiation between the Company and the Seller.

The Pre-Adjustment Coming Wealth Consideration is approximately equal to the total of (i) the unaudited net liabilities of Coming Wealth as at 31 July 2016 in an amount of approximately HK\$23.1 million; (ii) the difference between the market value of Coming Wealth Property (including the CM+ North Tower) as appraised by an independent professional valuer as at 31 July 2016 of approximately HK\$505 million and the net book value of Coming Wealth Property (including the CM+ North Tower) of approximately HK\$259.4 million as at 31 July 2016; and (iii) the book value of the Coming Wealth Sale Loan of approximately HK\$283 million as at 31 July 2016.

Likewise, the Pre-Adjustment Cheuk Tat Consideration is approximately equal to the total of (i) the unaudited net liabilities of Cheuk Tat as at 31 July 2016 in an amount of approximately HK\$24.5 million; (ii) the difference between the gross development value of the Cheuk Tat Property (including the CM+ South Tower) as appraised by an independent professional valuer as at 31 July 2016 of approximately HK\$603 million and the net book value of Cheuk Tat Property (including the CM+ South Tower) of approximately HK\$30.4 million as at 31 July 2016; and (iii) the book value of the Cheuk Tat Sale Loan of approximately HK\$60 million as at 31 July 2016.

LETTER FROM ALTUS

In this regard, we note that the Pre-Adjustment Coming Wealth Consideration and Pre-Adjustment Cheuk Tat Consideration are effectively (i) the unaudited adjusted net asset value of Coming Wealth based on the Coming Wealth Management Accounts and Cheuk Tat based on the Cheuk Tat Management Accounts; and (ii) the consideration for the Sale Loans on a dollar-for-dollar basis.

The reconciliation of the Pre-Adjustment Coming Wealth Consideration and Pre-Adjustment Cheuk Tat Consideration, respectively, is set out below:

	Coming Wealth	Cheuk Tat
	<i>HK\$' million</i>	<i>HK\$' million</i>
Net asset value as at 31 July 2016	(23.1)	(24.5)
Add: Valuation of the property as at 31 July 2016	505.0	603.0
Less: Carrying amount of the property as at 31 July 2016	(259.4)	(30.4)
Adjusted net asset value	222.5	548.1
Add: the Sale Loans on a dollar-for-dollar basis	282.8	59.8
Pre-adjustment consideration	505.3	607.9

We note that the Management used the adjusted net asset value to calculate the equity value of the Target Companies. The Management believes, and we concur, given the facts that the respective Target Property is the sole asset of each of the Target Company and that the adjusted net asset value which takes into account the market value of the Target Property, the valuation methodology used is appropriate.

Given that the CM+ North Tower only commenced operations in May 2016 and the Cheuk Tak Property has yet to be fully developed and constructed, the historical performance of the Target Companies as shown in the paragraph headed "2. Background information of the Target Companies and Target Properties" above cannot reflect their intended business operations. Accordingly, we believe that it would not be appropriate to adopt the price earnings ratio method to compare the Coming Wealth Consideration and Cheuk Tat Consideration.

Having considered the basis of determining the consideration as mentioned above, we note the Coming Wealth Consideration and Cheuk Tat Consideration are equal to the sum of the adjusted net asset value of Coming Wealth and Cheuk Tat and the Sale Loans. As such, we are of the view that such consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole. In this connection, we refer to the Circular and note that the Company will publish an announcement to disclose each of the final amount of the Coming Wealth Consideration and Cheuk Tat Consideration after the adjustment at appropriate time.

5.3 Settlement method and arrangement

The Coming Wealth Consideration shall be paid by the Company to the Seller in cash within 10 Business Days after the Coming Wealth Completion Date.

The Cheuk Tat Consideration shall be settled as follows:

- (i) the Cheuk Tat Deposit shall be paid by the Company to the Seller on or before 30 November 2016 in the amount of HK\$61 million, equal to approximately 10.0% of the Cheuk Tat Consideration, which shall be applied towards the same on the Cheuk Tat Completion Date; and
- (ii) the remaining balance of the Cheuk Tat Consideration shall be paid by the Company to the Seller in cash within 10 Business Days after the Cheuk Tat Completion Date.

We note that, if any of the conditions precedent under the Cheuk Tat SP Agreement are not fulfilled (or waived if such condition is waivable) on or before the Cheuk Tat Long Stop Date; or the Cheuk Tat Completion does not take place as a result of the sole default of the Seller, the Company shall be entitled to terminate the Cheuk Tak Agreement by notice in writing to the Seller, whereupon the Cheuk Tat Deposit shall be refunded in full to the Company.

As stated in the "Letter from the Board" of the Circular, the Coming Wealth Consideration and the Cheuk Tat Consideration are expected to be funded by a new banking facility of the Group, which is expected to be sufficient to cover both the Coming Wealth Consideration and the Cheuk Tat Consideration. We are advised by the Management that the terms of the relevant banking facility have been settled, and relevant documentation will be finalised around November 2016.

We understand from Management that whilst the Group has approximately HK\$4.7 billion of bank balances and cash, most of which is in RMB/US\$ and deposited with licensed banks in the PRC. As a result, the Group has obtained a banking facility from an independent licensed bank in Hong Kong to fund the Coming Wealth Consideration and the Cheuk Tat Consideration. We have reviewed the terms of the relevant banking facility and noted that the salient terms of the banking facility, namely interest rate, facility amount, duration of the facility, and related costs, are in line with the terms currently offered by other licensed bank in Hong Kong. As such, we are of the view that the terms of banking facility are on normal commercial terms and fair and reasonable.

Given the fully refundable nature of the Cheuk Tat Deposit; the full settlement of the Coming Wealth Consideration and the Cheuk Tat Consideration after the Coming Wealth Completion and Cheuk Tat Completion, respectively; and the terms and expected availability of the banking facility, we are of the view that the settlement method and arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Possible financial effect of the Acquisitions

6.1 Cash position

As the Acquisitions are expected to be financed by a banking facility, they are not expected to have any immediate adverse impact to the cash position of the Group. In this connection, we have also considered the bank balances and cash of the Group as at 30 June 2016 and the amount of debt due in the year ending 31 December 2016 and note that the Group had the bank balances and cash to meet its short-term obligations.

6.2 Net asset value

Upon completion of the Acquisitions, the Target Companies will each become an indirect wholly-owned subsidiary of the Company. As such, all assets and liabilities of the Targets Companies will be consolidated into the Group's financial statement. The Cheuk Tat Property and Coming Wealth Property will each be recognised as an investment property at Cheuk Tat Completion Date and Coming Wealth Completion Date, respectively. However, for Cheuk Tat Acquisition, the increase in the assets to the Group will be offset by the new banking facility to fund Cheuk Tat Consideration, so there will be no changes on the net asset value of the Group. For Coming Wealth Acquisition, the net asset value of the Group is expected to decrease due to the accounting treatment of the Coming Wealth Acquisition, which necessitates that the accounts reflect the book value of the Coming Wealth Property owned by Coming Wealth rather than the appraised value. No goodwill on the Acquisitions should result upon Coming Wealth Completion and Cheuk Tat Completion.

6.3 Gearing ratio

According to the 2016 Interim Results Announcement, the Group's gearing ratio (calculated as total interest-bearing debt, minus bank balances and cash, divided by total equity including non-controlling interest) decreased from 69.0% as at 31 December 2015 to 62.7% as at 30 June 2016. Given the aforementioned new banking facility to finance the Acquisitions, upon completion of the same, the Group's gearing ratio is expected to increase. However, the Management does not anticipate the increase will materially and adversely affect the gearing ratio as the Group has to fulfill/maintain certain level in respect of the covenants/negative covenants as prescribed in the existing bank loans granted by other banks.

Having considered the above possible financial effects, which are either no material adverse impact or remained unchanged, we are of the view that the overall potential financial effects of the Acquisitions are acceptable.

LETTER FROM ALTUS

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the SP Agreements and the Acquisitions are on normal commercial terms and are fair and reasonable; and (ii) the Acquisitions are entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving the Acquisitions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 25 years of experience in corporate finance advisory and commercial field in Greater China.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2016 of the property interest to be acquired by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

15 September 2016

The Board of Directors
China Merchants Land Limited
Rooms 2603-2606, 26/F,
China Merchants Tower,
Shun Tak Centre,
Nos. 168-200 Connaught Road Central,
Hong Kong

Dear Sirs,

Re.: Valuation of "CM+ Serviced Apartment", No. 16 Connaught Road West, Sheung Wan, Hong Kong

In accordance with your instructions to value the sole property interest under Coming Wealth Limited which is to be acquired by China Merchants Land Limited (the "Company") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 July 2016 (the "valuation date").

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

We have valued the property interest which is to be acquired for investment by the Company by income approach by taking into account the rental income of the property derived from the existing leases and achievable in the existing market, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, we have adopted the direct comparison approach which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

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

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

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors (“RICS”); the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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

We have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

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

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 29 April 2016 by Mr. Isaac Yip. Mr. Isaac Yip (Msc) is a probationer of RICS and has 10 years’ experience in the valuation of properties in Hong Kong.

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

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK\$).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C. H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C. H. Chan is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest to be acquired for investment by the Company in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2016 HK\$
“CM+ Serviced Apartment”, No. 16 Connaught Road West, Sheung Wan, Hong Kong	The property comprises the whole block of 31-storey serviced apartment building completed in 2015, with 54 guestrooms provided. Its ground floor is lobby, 1st floor is plant room and ancillary accommodations, 2nd to 3rd floors are back of house facilities and ancillary accommodations whilst the upper floors are guestrooms.	As at the Latest Practicable Date, the property was operated as serviced apartment and eleven units with a total gross floor area of approximately 721.479 sq.m. (or 7,766 sq.ft.) were subject to various short term leases with the latest expiry date on 31 August 2017 at a total monthly rent of HK\$318,690 (inclusive of rates, Government rent and management fee) while the remaining units were vacant.	505,000,000
The Remaining Portion of Marine Lot No. 415	Site area of the property is approximately 236.139 sq.m. (or 2,542 sq.ft.). The property has a total plot ratio gross floor area of approximately 3,540.764 sq.m. (or 38,113 sq.ft.) plus total exempted gross floor area of approximately 199.522 sq.m. (or 4,300 sq.ft.). The quoted room size is approximately 65.59 sq.m. (or 706 sq.ft.). The property is held under Government Lease for a term of 999 years commencing from 10 August 1901 subject to a payment of an annual Government rent of HK\$66 for Marine Lot No. 415.		

Notes:

- The registered owner of the property is Coming Wealth Limited.
- Pursuant to the land search record, the property is subject to Offensive Trade Licence vide Memorial No. 10022600560015 dated 15 December 2009 (Re.: from District Lands Officer/ Hong Kong West & South). The licence allows the owner of the property to carry out the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper. The existing use of the property as ‘hotel-like’ serviced apartment for lease falls within the permitted uses under the licence.
- As advised by the Company, application for the hotel licence has been submitted to Home Affairs Department in May 2016.
- Pursuant to the agreement for sale and purchase of the entire issued share capital of Coming Wealth Limited and the assignment of the all debts owing to the Seller entered into between China Merchants Properties Development Limited (as Seller) and China Merchants Land Limited (as Purchaser) dated 18 August 2016, the parties agreed on the sale and purchase of the said shares and loan for a consideration of approximately HK\$505 million (subject to adjustment but capped at approximately HK\$506 million) with subject to the fulfillment or waiver (for conditions precedent that are waiveble) of conditions precedent referred to in the paragraphs headed “A. The Coming Wealth SP Agreement — Conditions precedent to the Coming Wealth Acquisition” in the section headed “Letter from the Board” of this circular.

5. A general description of the property is summarized as below:

Location	:	The property is situated on the southern side of Connaught Road West close to the junction with Morrison Street to the east.
Nature of Surrounding Area	:	The locality is characterized by medium to high-rise commercial and composite buildings of various ages.
Transportation	:	The area is well served by public transport with buses, private light buses, taxis running along Connaught Road West. Sheung Wan MTR exit is within 5 minutes' from the property.
Market overview	:	Due to the decrease in numbers of visitors, the hospitality market is in general downward trend. However, such impact on serviced apartment sector in Sheung Wan is relatively small since the target customers are mainly corporate client. The unit monthly rent of serviced apartments in Sheung Wan is ranged from HK\$36 per sq.ft. to HK\$50 per sq.ft. on gross floor area basis.
Town Planning	:	"Commercial" under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29 dated 27 September 2013.
Land Lease Restrictions	:	Virtually unrestricted except offensive trades.

However, Offensive Trade Licence is granted to the owner of the property to carry out the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper. If whole or part of the lot is used for the purpose of hotel(s), the lot shall not be assigned except as a whole. The existing use of the property as 'hotel-like' serviced apartment for lease falls within the permitted uses under the licence.

Since the non-offensive trade clause in Government Lease has been relaxed by the Offensive Trade Licence and the use of the property as a hotel is expressly permitted under the said licence, the land lease restrictions would not have impact on the Coming Wealth Acquisition.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2016 of the property interest to be acquired by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

15 September 2016

The Board of Directors
China Merchants Land Limited
Rooms 2603-2606, 26/F,
China Merchants Tower,
Shun Tak Centre,
Nos. 168-200 Connaught Road Central,
Hong Kong

Dear Sirs,

Re.: Valuation of Proposed Serviced Apartment Development, Nos. 23 & 25 Tung Loi Lane and Nos. 30 & 32 New Market Street, Sheung Wan, Hong Kong

In accordance with your instructions to value the sole property interest under Cheuk Tat Development Limited which is to be acquired by China Merchants Land Limited (the "**Company**") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the gross development value of the property interest as at 31 July 2016 (the "**valuation date**").

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

It is understood that the property is acquired for investment by the Company and the transaction will be closed upon the proposed development is completed and the Occupation Permit is issued. Henceforth, our valuation has assumed that the proposed development has been developed and completed as at the valuation date according to the approved building plans and the construction of the proposed development has been approved by the relevant authorities, with all development costs have been paid and settled up to the standard obtaining the Occupation Permit. Further, we understand further interior fit-out works have to be carried out thereafter to make the proposed development fit for operation as serviced apartment.

In arriving at our opinion of value, we have adopted income approach by taking into account the rental income of the property achievable in the existing market, which has been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, we have adopted the direct comparison approach which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

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

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

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors (“RICS”); the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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

We have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

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

We have inspected the exterior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 29 April 2016 by Mr. Isaac Yip. Mr. Isaac Yip (Msc) is a probationer of RICS and has 10 years' experience in the valuation of properties in Hong Kong.

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

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK\$).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C. H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C. H. Chan is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest to be acquired for investment by the Company in Hong Kong

Property	Description and tenure	Particulars of occupancy	Gross Development Value as at 31 July 2016 HK\$
Proposed Serviced Apartment Development, Nos. 23 & 25 Tung Loi Lane and Nos. 30 & 32 New Market Street, Sheung Wan, Hong Kong	<p>The property comprises a parcel of land with a site area of approximately 363.178 sq.m. (or 3,909 sq.ft.) and a 30-storey serviced apartment building which was being constructed thereon as at the valuation date.</p> <p>The development is estimated to be completed and obtain the Occupation Permit in the third quarter of 2017.</p>	As at the valuation date, the property was under construction. Our valuation is based on the assumption that the proposed development has been finished and completed to the standard obtaining the Occupation Permit.	603,000,000
Inland Lot Nos. 6340, 6341, 6356 and 6357	<p>According to the approved building plan dated 14 April 2016, the development will have a total plot ratio gross floor area of approximately 5,447.657 sq.m. (or 58,639 sq.ft.) plus total exempted gross floor area of approximately 560.567 sq.m. (or 6,034 sq.ft.). The average quoted room size is 67.26 sq.m. (or 724 sq.ft.).</p> <p>Ground floor of the proposed development is lobby, 1st to 2nd floors are linen store, plant room and staff rest area, 3rd and 5th floors (4th floor is omitted) are restaurants, 6th floor is multi-function rooms whilst the upper floors provide 81 guestrooms in total.</p> <p>The property is held under Government Lease for a term of 999 years commencing from 26 December 1871 subject to payment of an annual Government rent of HK\$76 in total.</p>		

Notes:

1. The registered owner of the property is Cheuk Tat Development Limited.
2. Pursuant to the land search record, the property is subject to, inter alia, the following encumbrances:
 - a. Notice of Resumption regarding Strata vide Memorial No. UB2494704 dated 11 November 1983 (Re.: under MTR (Land Resumption & Related Provisions) Ordinance reverted to the Crown on 11.12.83);
 - b. Corrigendum regarding Underground Stratum vide Memorial No. UB5810163 dated 9 September 1993 (Re.: under MTR (Land Resumption and Related Provisions) Ordinance reverted to the Crown on 9.10.93 at midnight);

- c. G.N. No. 1046 dated 26.2.2010 under Railways Ordinance (Chapter 519) vide Memorial No. 10030902780236 dated 26 February 2010 (Re.: Mass Transit Railway ('MTR') West Island Line annexed with plans Nos. RDM1054, RDM1056 & RDM1059; Re: resumption of underground strata of land by Director of Lands) (Re.: Inland Lot Nos. 6356 and 6357);
 - d. G.N. No. 1050 dated 26.2.2010 under Railways Ordinance (Chapter 519) vide Memorial No. 10030902780252 dated 26 February 2010 (Re.: Mass Transit Railway ('MTR') West Island Line annexed with plans Nos. RDM1055, RDM1057 & RDM1084; Re: creation of rights of temporary occupation of underground strata of land) (Re.: Inland Lot Nos. 6356 and 6357);
 - e. G.N. No. 7965 dated 17.12.2010 under Railways Ordinance (Chapter 519) vide Memorial No. 10123000460591 dated 17 December 2010 (Re.: Mass Transit Railway ('MTR') West Island Line annexed with plan No. RDM 1211; Re: amendment to creation of rights of temporary occupation of underground strata of land (portion)) (Re.: Inland Lot Nos. 6356 and 6357); and
 - f. Offensive Trade Licence vide Memorial No. 12110202200059 dated 15 October 2012 (Re.: from District Lands Officer/ Hong Kong West & South). The licence allows the owner of the property to carry out the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper. The proposed development as 'hotel-like' serviced apartment for lease falls within the permitted uses under the licence.
3. As advised by the Company, the total construction cost is estimated to be approximately HK\$220 million, of which HK\$30.44 million has been incurred as at the valuation date.
 4. As advised by the Company, after obtaining the Occupation Permit, further interior fit-out works have to be carried out to make the proposed development fit for operation as serviced apartment. The estimated cost of such works is HK\$57 million.
 5. Our valuation has assumed that the proposed development has been developed and completed as at the valuation date according to the approved building plans and the construction of the proposed development has been approved by the relevant authorities, with all development costs have been paid and settled up to the standard obtaining the Occupation Permit. Further, we understand further interior fit-out works have to be carried out thereafter to make the proposed development fit for operation as serviced apartment.
 6. Pursuant to the agreement for sale and purchase of the entire issued share capital of Cheuk Tat Development Limited and the assignment of the all debts owing to the Seller entered into between China Merchants Properties Development Limited (as Seller) and China Merchants Land Limited (as Purchaser) dated 18 August 2016, the parties agreed on the sale and purchase of the said shares and loan for a consideration of approximately HK\$608 million (but capped at approximately HK\$609 million) with completion subject to the fulfillment or waiver (for conditions precedent that are waiveble) of conditions precedent referred to in the paragraphs headed "B. The Cheuk Tat SP Agreement – Conditions precedent to the Cheuk Tat Acquisition" in the section headed "Letter from the Board" of this circular.

7. A general description of the property is summarized as below:

Location	:	The property is situated on the southern side of New Market Street at the junction with Tung Loi Lane.
Nature of Surrounding Area	:	The locality is characterized by medium to high-rise commercial and composite buildings of various ages.
Transportation	:	The area is well served by public transport with buses, private light buses, taxis running along Connaught Road West. Sheung Wan MTR exit is within 10 minutes' from the property.
Market overview	:	Due to the decrease in numbers of visitors, the hospitality market is in general downward trend. However, such impact on serviced apartment sector in Sheung Wan is relatively small since the target customers are mainly corporate client. The unit monthly rent of serviced apartments in Sheung Wan is ranged from HK\$36 per sq.ft. to HK\$50 per sq.ft. on gross floor area basis.
Town Planning	:	"Commercial" under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29 dated 27 September 2013.
Land Lease Restrictions	:	Virtually unrestricted except offensive trades.

However, Offensive Trade Licence is granted to the owner of the property to carry out the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper. If whole or part of the lots are used for the purpose of hotel(s), the lots shall not be assigned except as a whole. The proposed development as 'hotel-like' serviced apartment for lease falls within the permitted uses under the licence.

Since the non-offensive trade clause in Government Lease has been relaxed by the Offensive Trade Licence and the use of the property as a hotel is expressly permitted under the said licence, the land lease restrictions would not have impact on the Cheuk Tat Acquisition.

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

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Nature of interest	Number of Shares held	Approximately percentage (%) in the issued share capital of the Company
So Shu Fai	Interest of controlled corporations (<i>Note</i>)	32,054,066 (L)	0.65%

Note: These shares were directly held by Skill China Limited (“Skill China”). Skill China is wholly-owned by Fortune Alliance Group Limited. Joint Profit Limited owned 90% equity interest in Fortune Alliance Group Limited. Fortune Alliance Group Limited is in turn controlled for the purpose of Part XV of the SFO by Joint Profit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence, by virtue of Part XV of the SFO, Dr. So Shu Fai is deemed to be interested in the shares directly held by Skill China. Skill China, Fortune Alliance Group Limited and Joint Profit Limited are companies incorporated in the British Virgin Islands with limited liability.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors is a director or employee in the following companies, each of which has an interest or short position in the Shares and 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:

- (a) Mr. Xu Yongjun, a non-executive Director, is a director and general manager of CMSK;
- (b) Mr. Huang Junlong, a non-executive Director, is the chief financial officer of CMSK;
- (c) Mr. Yan Chengda, a non-executive Director, is a senior consultant of CMSK;
- (d) Ms. Liu Ning, a non-executive Director, is the board secretary of CMSK; and
- (e) Mr. Wong King Yuen, an executive Director, is the director and general manager of China Merchants Properties Development Limited and China Merchants Property Agency Limited, wholly-owned subsidiaries of CMSK.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

6. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the relevant Group Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors were aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up).

8. EXPERTS AND CONSENT

The following sets out the qualifications of the experts who have been named in this circular:

Name	Qualifications
Altus Capital Limited	Corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
Jones Lang Lasalle Corporate Appraisal & Advisory Limited	Independent property valuer

Each of Altus Capital Limited and Jones Lang Lasalle Corporate Appraisal & Advisory Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither Altus Capital Limited nor Jones Lang Lasalle Corporate Appraisal & Advisory Limited had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither Altus Capital Limited nor Jones Lang Lasalle Corporate Appraisal & Advisory Limited had any interest, direct or indirect, in any assets which since 31 December 2015, the date to which the latest published audited financial statements of the Company were made up, had 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company at Room 2603 to 2606, 26/F., China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Coming Wealth SP Agreement;
- (b) the Cheuk Tat SP Agreement;
- (c) the letter from the Independent Board Committee, the text of this is set out on page 23 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of this is set out on pages 24 to 42 of this circular;
- (e) Jones Lang Lasalle Corporate Appraisal & Advisory Limited's Valuation Reports, the text of this is set out on pages I-1 to I-11 of this circular;
- (f) the letter of consent from the Independent Financial Adviser referred to in the above paragraph headed "8. Experts and Consents" in this Appendix II;
- (g) the letter of consent from Jones Lang Lasalle Corporate Appraisal & Advisory Limited referred to in the above paragraph headed "8. Experts and Consents" in this Appendix II; and
- (h) this circular.

NOTICE OF THE EGM



CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders (the “EGM”) of China Merchants Land Limited (the “Company”) will be held at 37/F, China Merchants Tower, Shun Tak Centre, Nos 168-200 Connaught Road Central, Hong Kong on Tuesday, 11 October 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions. Capitalised terms defined in the circular dated 15 September 2016 issued by the Company (the “Circular”) shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

1. “THAT:
 - (a) The Coming Wealth SP Agreement, a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose and tabled at the meeting, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
 - (b) any one or more of the Directors be and are hereby authorised to do all such acts and things and execute all such documents for an on behalf of the Company as he/she or they may consider necessary, appropriate, desirable or expedient for the purpose of giving effect to or in connection with paragraph (a) of this resolution and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Coming Wealth SP Agreement) as are, in the opinion of such Director(s), in the interests of the Company and its Shareholders as a whole.

2. “THAT:
 - (a) The Cheuk Tat SP Agreement, a copy of which is marked “B” and signed by the chairman of the meeting for identification purpose and tabled at the meeting, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF THE EGM

- (b) any one or more of the Directors be and are hereby authorised to do all such acts and things and execute all such documents for an on behalf of the Company as he/she or they may consider necessary, appropriate, desirable or expedient for the purpose of giving effect to or in connection with paragraph (a) of this resolution and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Cheuk Tat SP Agreement) as are, in the opinion of such Director(s), in the interests of the Company and its Shareholders as a whole.”

On behalf of the Board
China Merchants Land Limited
Xu Yongjun
Chairman

Hong Kong, 15 September 2016

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 22, 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 or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint registered holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
4. In order to determine members who are entitled to attend the extraordinary general meeting of the Company to be held on 11 October 2016, the register of members of the Company will be closed from 6 October 2016 to 11 October 2016, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the extraordinary general meeting of the Company, unregistered holders of Shares should ensure that all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 October 2016.
5. The resolutions at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

As at the date of this notice, the Board comprises Mr. Xu Yongjun, Mr. Huang Junlong, Mr. 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.