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**MAJOR AND CONNECTED TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN  
RESPECT OF ACQUISITION OF THE ZENGCHENG LAND**

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24 August 2017

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## DEFINITIONS

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

“Acquisition”	the acquisition of land use rights of the Zengcheng Land through public bidding process
“Auction”	the public auction held by Guangzhou Land Management Bureau at which the Zengcheng Land was offered for sale
“Board”	the board of Directors
“CMSK”	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979 (A share)), being the intermediate controlling shareholder of the Company and indirectly holding approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date
“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)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	a cooperation agreement dated 21 June 2017 entered into between Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Poly”	Guangdong Poly Property Development Company Limited* (廣東保利房地產開發有限公司), a company established in the PRC with limited liability
“Guangzhou Land Bureau”	Land Resources and Planning Bureau of Zengcheng District, Guangzhou City* (廣州市增城區國土資源和規劃局)
“Guangzhou Land Management Bureau”	The Land and Housing Management Bureau of Zengcheng District, Guangzhou City* (廣州市增城區土地房產交易所)

## DEFINITIONS

“Guangzhou Merchants”	Guangzhou Merchants Property Development Limited* (廣州招商房地產有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“JV Company”	Guangzhou Xinhe Property Development Company Limited* (廣州新合房地產有限責任公司), a limited liability company established by Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi, in the PRC on 11 May 2017 for the sole purpose of conducting potential property development business in accordance with its articles of association
“Land Transfer Confirmation”	the confirmation notice (土地成交確認書) dated 29 March 2017 issued by Guangzhou Land Management Bureau to Guangzhou Merchants confirming the successful bidding of the Zengcheng Land
“Land Use Right Grant Contract”	the land use rights grant contract (國有建設用地使用權出讓合同) entered into between Guangzhou Merchants and Guangzhou Land Bureau on 13 April 2017
“Latest Practicable Date”	21 August 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Percentage Ratios”	the “percentage ratios” as defined in rule 14A.10(10) of the Listing Rules
“Poly Jiangsu”	Poly Jiangsu Real Estate Development Co., Limited* (保利江蘇房地產發展有限公司), a company established in the PRC

## DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Governmental Body”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Guanyi”	Shanghai Guanyi Corporate Management Company Limited* (上海冠懿企業管理有限公司), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Zengcheng Land”	a piece of land situated from in the east of Finance Avenue down to the west of existing plants, in the south of Changfeng International Commercial Project down to the north of Chuangxin Avenue (東至金融大道，南至長風國際商業項目，西至現狀廠房，北至創新大道) with a total site area of 86,417.35 sq.m., designated for category II residential usage with a term of 70 years
“Zengcheng Land Consideration”	RMB4,350,000,000, being the aggregate consideration payable for the transfer of land use rights of the Zengcheng Land pursuant to the Cooperation Agreement
“%”	per cent

\* Unofficial English translation denotes for identification purposes only

*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.*

 **招商局置地有限公司**  
**CHINA MERCHANTS LAND LIMITED**  
**CHINA MERCHANTS LAND LIMITED**  
**招商局置地有限公司**  
*(Incorporated with limited liability in the Cayman Islands)*  
**(Stock Code: 978)**

**Board of Directors:**

*Non-executive Directors:*

XU Yongjun (*Chairman*)  
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

**Registered office:**

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**Principal place of business**

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Nos. 168–200 Connaught Road Central  
Hong Kong

24 August 2017

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN  
RESPECT OF ACQUISITION OF THE ZENGCHENG LAND**

On 21 June 2017, Guangzhou Merchants, an indirectly wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Guangdong Poly and Shanghai Guanyi, pursuant to which, among other things, Guangzhou Merchants shall procure the JV Company to execute a contract with Guangzhou Land Bureau to amend the Land Use Right Grant Contract to the effect that the JV Company shall become the sole beneficiary and developer of the Zengcheng Land.

The main purpose of this circular is to provide you with, among other things, further details of the Cooperation Agreement and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

### **Acquisition of the Zengcheng Land by Guangzhou Merchants**

On 29 March 2017, Guangzhou Merchants had successfully won a bidding in respect of the land use rights of the Zengcheng Land at a price of RMB4,350,000,000. On the same date, Guangzhou Land Management Bureau, which is a PRC Governmental Body and an Independent Third Party, issued the Land Transfer Confirmation to Guangzhou Merchants. On 13 April 2017, Guangzhou Merchants entered into the Land Use Right Grant Contract with Guangzhou Land Bureau in relation to the Acquisition. On 21 June 2017, Guangzhou Merchants entered into the Cooperation Agreement with Guangdong Poly and Shanghai Guanyi whereby, among other things, they agree to develop the Zengcheng Land through the JV Company.

Details of the Cooperation Agreement is summarised below.

### **Date of Cooperation Agreement**

21 June 2017 (after trading hours)

### **Parties**

- i. Guangzhou Merchants, an indirect wholly-owned subsidiary of the Company;
- ii. Guangdong Poly, a company established in the PRC with limited liability; and
- iii. Shanghai Guanyi, a company established in the PRC with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Guanyi and their ultimate beneficial owners are all Independent Third Parties.

### **Basic information of the Zengcheng Land**

Guangzhou Merchants had on 29 March 2017 successfully won a bidding in respect of the land use rights of the Zengcheng Land, a piece of land situated from in the east of Finance Avenue down to the west of existing plants, in the south of Changfeng International Commercial Project down to the north of Chuangxin Avenue (東至金融大道，南至長風國際商業項目，西至現狀廠房，北至創新大道), at a price of RMB4,350,000,000. The land has a total site area of 86,417.35 sq.m., its permitted plot ratio is not more than 3.61 and is designated for category II residential usage with a term of 70 years.

### **Shareholding structure and capital contribution to the JV Company**

Under the Cooperation Agreement, the parties agreed, among other things, that:

- a. Guangzhou Merchants shall procure the JV Company to execute a contract with Guangzhou Land Bureau to amend the Land Use Right Grant Contract to the effect that the JV Company shall become the sole beneficiary and developer of the Zengcheng Land;

## LETTER FROM THE BOARD

- b. the initial registered capital of the JV Company is RMB100,000,000 which shall be contributed by Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in the proportion of 34%, 33% and 33% at the amount of RMB34,000,000, RMB33,000,000 and RMB33,000,000, respectively in cash within five working days after signing the Cooperation Agreement;
- c. the interests of Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in the capital of the JV Company shall be 34%, 33% and 33%, respectively;
- d. Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall bear the cost of the Acquisition, relevant tax and expenses, project development costs, management fees and total investment amount in connection to the Zengcheng Land in proportion to their respective shareholdings in the JV Company;
- e. the Zengcheng Land Consideration amounting to RMB4,350,000,000 shall be paid in the following manner:
  - 1) the first instalment of RMB2,175,000,000 shall be paid in cash on or before 13 May 2017;
  - 2) the second instalment of RMB2,175,000,000 shall be paid in cash on or before 15 December 2017;
- f. the security deposit for the Zengcheng Land amounting to RMB1,500,000,000, which shall form part of the first instalment, had been paid by Guangzhou Merchants before the establishment of the JV Company;
- g. the first instalment of RMB2,175,000,000 had been paid by Guangzhou Merchants on or before 13 May 2017;
- h. the initial payment of land costs (i.e. the first instalment of RMB2,175,000,000, and the security deposit of RMB1,500,000,000 as part of the first instalment) together with other relevant expenses contributed by Guangzhou Merchants shall be payable by Guangdong Poly and Shanghai Guanyi to Guangzhou Merchants in proportion to their respective shareholdings in the JV Company and a 20% interest is chargeable;
- i. the Zengcheng Land Consideration of RMB4,350,000,000 shall be funded by Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi with their internal resources; and
- j. when the JV Company does not have sufficient capital to meet its operating requirements, Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall provide a shareholder's loan to the JV Company in proportion to their respective shareholdings in the JV Company at an annual interest rate of 20%



## LETTER FROM THE BOARD

on top of the interest rate promulgated by the People's Bank of China, which was determined based on mutual agreement among the parties to the Cooperation Agreement with reference to the market practice.

### **Profit Distribution Arrangement of the JV Company**

Distributable profits of the JV Company shall firstly be applied towards repayment of any outstanding shareholders' loan and outstanding interests thereon (if any) on a pro-rata basis in chronological order, and shall secondly be paid out to Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in proportion to their respective shareholdings in the JV Company.

### **Payment of the Zengcheng Land Consideration**

The Zengcheng Land Consideration is equal to the price of the land use rights of the Zengcheng Land, as derived from a public auction held by Guangzhou Land Management Bureau which was conducted in accordance with the terms of the auction promulgated by Guangzhou Land Management Bureau on 29 March 2017. 50% of the Zengcheng Land Consideration in the amount of RMB2,175,000,000 had been paid before 13 May 2017. The security deposit in the amount of RMB1,500,000,000 which had been paid before the formation of the JV Company had formed part of the price of the Zengcheng Land. The remaining 50% of the Zengcheng Land Consideration in the amount of RMB2,175,000,000 is payable on or before 15 December 2017.

### **Establishment of the JV Company and the Current Capital Contribution**

In accordance with the Cooperation Agreement, the JV Company has been established by Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in the PRC on 11 May 2017 for the sole purpose of acquiring and developing the Zengcheng Land which is consistent with the purpose of the Auction. As at the Latest Practicable Date, Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi have contributed RMB34,000,000, RMB33,000,000 and RMB33,000,000 into the share capital of the JV Company respectively, and their respective shareholdings in the JV Company are 34%, 33% and 33%.

### **Management of the JV Company**

Significant matters of the JV Company (including but not limited to increase or reduction in capital, amendments to the memorandum and articles of association, mergers, demergers and liquidation) shall be unanimously approved by all the shareholders of the JV Company at the general meeting.

The board of directors of the JV Company shall consist of 5 directors. Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall nominate 3 directors, 1 director and 1 director, respectively. The chairman of the board of directors of the JV Company (i.e. the legal representative) shall be a director nominated by Guangzhou Merchants.

The general manager shall be responsible for the management of the JV Company. Such general manager shall be nominated by Guangzhou Merchants and appointed or dismissed by the board of directors of the JV Company.

## LETTER FROM THE BOARD

Each of Guangzhou Merchants and Shanghai Guanyi shall appoint 1 supervisor. Guangdong Poly shall appoint 1 financial controller and Shanghai Guanyi shall appoint 1 deputy finance manager.

### **Scope of Business and Major Assets of the JV Company**

Pursuant to the Cooperation Agreement, the business scope of the JV Company is to acquire and develop the Zengcheng Land. As at the Latest Practicable Date, the Zengcheng Land is the only major asset of the JV Company.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE FORMATION OF THE JV COMPANY**

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.

According to the Cooperation Agreement, where the JV Company is in need of capital for its operating requirements, Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall provide a shareholder's loan to the JV Company in proportion to their shareholdings in the JV Company. Given such financing arrangements under the Cooperation Agreement, the Directors consider that the formation of the JV Company could facilitate the development of the Zengcheng Land when the demand for capital increases. Since any costs and funding needs arising from the acquisition and development of the Zengcheng Land could be shared between Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in proportion to their respective shareholdings in the JV Company, the capital commitment required on the part of the Company would be lowered and without such financial constraint, the Company can engage in more real estate projects to expand the property development and investment portfolio of the Group. As such, the Company considers that it is in the interest of the Company to acquire and develop the Zengcheng Land with Guangdong Poly and Shanghai Guanyi on a joint basis via the JV Company.

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

### **FINANCIAL IMPACT**

Guangzhou Merchants has no control over the voting rights in the shareholders' meetings of the JV Company and therefore the JV Company shall not become a subsidiary of Guangzhou Merchants. As a result, the investment in and the financial results, assets and liabilities of the JV Company shall not be consolidated into the accounts of the Group since the incorporation of the JV Company. The JV Company shall be accounted for a joint venture entity in accordance with Hong Kong Accounting Standard 28, and the Acquisition shall be accounted for an acquisition of land use rights of the Zengcheng Land by the JV Company.

## LETTER FROM THE BOARD

The contribution to the JV Company and the Zengcheng Land by Guangzhou Merchants is estimated to be approximately RMB2,450,000,000, which shall be funded by the Group's internal resources. As at 30 June 2017, the Group has cash and cash equivalents of approximately RMB6,935,000,000. The Directors consider that the Group's contribution for the transactions contemplated under the Cooperation Agreement shall not have any immediate material effect on the total assets, earnings and liabilities of the Group.

Assuming the transactions contemplated under the Cooperation Agreement had been effected on 31 December 2016, the financial effects of such transactions on the total assets, earnings and liabilities of the Group are as follows:

	Before the transactions	After the transactions
Total assets ( <i>Note 1</i> )	RMB48,446,368,000	RMB48,446,368,000
Earnings per Share ( <i>Note 2</i> ) ( <i>Note 3</i> )	RMB16.54 cents	RMB16.54 cents
Total liabilities ( <i>Note 4</i> )	RMB34,338,398,000	RMB34,338,398,000

*Note 1:* As the Zengcheng Land Consideration is equal to the price of the land use rights of the Zengcheng Land and the Zengcheng Land is the only major asset of the JV Company as of the Latest Practicable Date, the net value of the JV Company is approximately equal to the cost of the Acquisition.

Since Guangzhou Merchants shall bear the cost of the Acquisition in proportion to its shareholding in the JV Company, which shall be funded by the Group's internal resources, and the JV Company shall be accounted for a joint venture entity by the Company, the Group's bank balances will decrease by an amount approximating to the increase in the Group's interests in joint ventures. Accordingly, there shall be no immediate material effect on the amount of total assets of the Group.

*Note 2:* Reference is made to the earnings per Share in the Company's announcement of the audited financial results for the financial year ended 31 December 2016 released on 7 March 2017 where the computation does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result in an increase in earnings per Share.

*Note 3:* The transactions contemplated under the Cooperation Agreement shall neither affect the profit for the year attributable to owners of the Company nor the number of issued Shares, and thus shall have no immediate material effect on the earnings per Shares of the Group.

*Note 4:* As the Group does not incur additional liabilities in relation to the transactions contemplated under the Cooperation Agreement, there shall be no immediate material effect on the amount of total liabilities of the Group.

### PARTICULARS OF THE PARTIES

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.

Guangdong Poly is principally engaged in property development and sales of property. It is a direct wholly-owned subsidiary of Poly Real Estate Group Co., Ltd\* (保利房地產(集團)股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600048.SH).

## LETTER FROM THE BOARD

Shanghai Guanyi is principally engaged in consultation services on corporate management, technology for environmental protection and construction technology. To the best of the Directors' knowledge after due enquiries, Shanghai Guanyi is an indirect wholly-owned subsidiary of Shimao Property Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 813).

### IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable Percentage Ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the contributions by Guangzhou Merchants under the Cooperation Agreement exceed 25% but are less than 100%, the entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

The Group is engaged in property development as one of its principal business activities. As such, the Company considers itself to be a qualified issuer for the purpose of Rule 14.04(10B) of the Listing Rules. The Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as the Acquisition involves an acquisition of governmental land from a PRC Governmental Body through an auction governed by the PRC law.

The Acquisition is undertaken by the Group, Guangdong Poly and Shanghai Guanyi via the JV Company on a joint basis. According to the Cooperation Agreement which is prepared on an arm's length basis and on normal commercial terms, the JV Company is established for the single purpose relating to the acquisition and development of the Zengcheng Land which is consistent with the purpose of the Auction. The Cooperation Agreement also contains clauses that the JV Company, may not, without the unanimous consent from Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi, (i) change the nature or scope of the JV Company's business and its scope of business shall be at all times consistent with the requirements specified in the sales documents of the Auction; and (ii) enter into any transactions which are not on an arm's length basis.

The Board confirms that the Acquisition is in the Group's ordinary and usual course of business and that the Acquisition and the joint venture arrangement contemplated under the Cooperation Agreement (including its financing and profit distribution arrangements) are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole. The entering into of the Cooperation Agreement and the transactions contemplated thereunder is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

Poly Jiangsu is a substantial shareholder of Nanjing Shanjiyi Property Development Company Limited\* (南京善杰义房地产开发有限公司), an indirect non wholly-owned subsidiary of the Company established in the PRC. Poly Jiangsu is a company directly controlled by Poly Real Estate Group Co., Ltd which directly controls Guangdong Poly. Accordingly, Guangdong Poly is a connected person of the Company at subsidiary level. Therefore, the transactions contemplated under the Cooperation Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) have approved the Cooperation Agreement and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. By reason of the aforesaid, pursuant to Rule 14A.101 of the Listing Rules, the Cooperation Agreement and the transactions contemplated thereunder shall only be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Cooperation Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolution approving the Cooperation Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

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

**1. AUDITED FINANCIAL RESULTS OF THE GROUP**

Details of the audited financial results of the Group for each of the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://ir.cmland.hk>) in the following documents:

- (i) for the year ended 31 December 2014, on pages 98 to 213 of the annual report of the Company for the year ended 31 December 2014 released on 19 March 2015 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0319/LTN20150319421.pdf>;
- (ii) for the year ended 31 December 2015, on pages 111 to 251 of the annual report of the Company for the year ended 31 December 2015 released on 22 March 2016 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0322/LTN20160322400.pdf>;
- (iii) for the year ended 31 December 2016, on pages 120 to 259 of the annual report of the Company for the year ended 31 December 2016 released on 5 April 2017 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0405/LTN20170405383.pdf>.

There was no qualified opinion issued for the audited financial results of the Group for the last three financial years.

## 2. INDEBTEDNESS STATEMENT

**Borrowings**

As at the close of business on 30 June 2017, being the most recent practicable date for the purpose of the statement of indebtedness, the borrowings and loans of the Group prior to printing of this circular were shown as below:

	<b>30 June 2017</b> <i>RMB'000</i>
Bank and other borrowings	5,343,670
Bonds payable	3,363,986
Convertible bonds	1,713,740
Loans from an intermediate holding company	3,349,198
Loans from non-controlling equity holders of subsidiaries of the Group	<u>3,778,273</u>
Total	<u><u>17,548,867</u></u>
Secured	140,000
Unsecured	<u>17,408,867</u>
Total	<u><u>17,548,867</u></u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	11,240,128
More than one year, but not exceeding two years, disclosed as non-current liabilities	5,021,776
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>1,286,963</u>
Total	<u><u>17,548,867</u></u>

**Contingent Liabilities**

As at 30 June 2017, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB4,303,000,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, dividend payable and normal trade payables in the normal course of business at the close of business on 30 June 2017, the Group did not have any other debt securities issued and outstanding or agreed to be issued, outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at 30 June 2017, the Group had cash and bank balances of approximately RMB6,935,000,000. The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US\$ and HK\$. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities. As the convertible bonds and the bond were denominated in US\$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US\$ exchange rates and might consider hedging should the need arises.

As at 30 June 2017, the capital structure of the Group consists of net debts, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves. As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up.

**Pledge of Assets**

Save for properties for sale in Chongqing with carrying value of approximately RMB362,000,000 having been pledged to secure bank borrowings amounting to approximately RMB140,000,000 granted to the Group as at 30 June 2017, the Group did not have any changes in pledge or charge on its assets including property, plant and equipment or properties under development for sale.



### 3. WORKING CAPITAL

Taking into account the effect of the transactions contemplated under the Cooperation Agreement and the present internal financial resources available to the Group, including cash and bank balances as well as the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

### 5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Guangzhou Merchants has no control over the voting rights in the shareholders' meetings of the JV Company and therefore the JV Company shall not become a subsidiary of Guangzhou Merchants. As a result, the financial results, assets and liabilities of the JV Company shall not be consolidated into the accounts of the Group since the incorporation of the JV Company.

As disclosed in the Company's annual report for the year ended 31 December 2016, China's economy is still experiencing a serious structural problem. China's economy will gradually undergo sustainable economic development. The properties market will continue to face regional polarisation. The markets in first and second tier cities will enter adjustment stage, while those in third and fourth tier cities still consider destocking as its major task. It is expected that the adjustment policies will continue to stabilise the demand of homes for self-occupation, and suppress home buying for investment. Against the backdrop of such adjustment and increasing interest rate, the property market will move forward with pressure. The formidable participants in the industry will stay strong, resulting in more frequent opportunities of mergers and acquisitions activities. The Group will closely monitor the market dynamics as usual, and strive to achieve the sales and profit targets that will maximise competitive advantages. The Group will seek to invest in property development projects that magnify the Company's development potential and the Shareholders' return.

## 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	Approximate percentage (%) in the issued share capital of the Company
So Shu Fai	Through controlled corporations ( <i>Note</i> )	32,054,066 (L)	0.65%

*Note:* These shares are held by Skill China Limited ("Skill China"). Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Skill China. Hence Fortune Alliance Group Limited is deemed to be interested in the shares held by Skill China. Fortune Alliance Group Limited is in turn controlled by Joint Profit Limited, which is beneficially wholly-owned by Dr. SO Shu Fai, an executive Director of the Company. Hence Dr. SO Shu Fai is deemed to be interested in the shares 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.

**Long positions in underlying Shares of associated corporation**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of underlying Shares involved</b> <i>(Note)</i>	<b>Approximately percentage (%) in the associated corporation</b>
XU Yongjun	Beneficial owner	704,000	0.00%
HUANG Junlong	Beneficial owner	372,000	0.00%
LIU Ning	Beneficial owner	372,000	0.00%
YU Zhiliang	Beneficial owner	200,000	0.00%

*Note:* These are the underlying Shares involved in the share options granted by CMSK (an intermediate controlling shareholder indirectly holding 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. XU Yongjun, Mr. HUANG Junlong, Ms. LIU Ning and Mr. YU Zhiliang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or 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. Dr. Yan Chengda, a non-executive Director, is the 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**

There is no contract or arrangement subsisting at the date of publication of this circular in which a Director is materially interested and which is 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 2016 (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 controlling shareholders (as defined in the Listing Rules) and 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. LITIGATION**

As disclosed in the Company's annual report 2016, a subsidiary of the Group as a defendant of a lawsuit was alleged to fail to settle the outstanding payable to a contractor in the amount of approximately RMB29,508,000 pursuant to the terms of a contract, and the subsidiary had filed a counterclaim against the said contractor. As at the Latest Practicable Date, no damages have been awarded to any parties of the lawsuit. The Directors are of the view that based on legal advice, the lawsuit can be successfully defended and no losses (including claims for costs) will be incurred.

Save as disclosed above, no member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

**7. SERVICES CONTRACTS**

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

**8. GENERAL**

- a. The English text of this circular shall prevail over the Chinese text.
- b. The company secretary of the Company is Ms. Jeanie Lau. Ms. Lau is an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, and has over 10 years' experience in company secretarial practice.
- c. The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company is at Room 2603-2606, 26/F, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong.
- d. The branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**9. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- a) the Cooperation Agreement;
- b) a cooperation agreement dated 31 May 2017 entered into between Guangzhou Dingjia Property Development Co., Ltd.\* (廣州鼎佳房地產有限公司) ("Guangzhou Dingjia Property") and Foshan Merchants Property Development Co., Ltd.\* (佛山招商房地產有限公司) ("Foshan Merchants Property") pursuant to which, among other things, (i) Guangzhou Dingjia Property and Foshan Merchants Property shall jointly develop a piece of land situated at the east side of Jianshe Yilu, Xinan Street, Sanshui District, Foshan City, Guangdong Province, the PRC\* (中國廣東省佛山市三水區西南街道建設一路東側) with a total site area of approximately 47,252.97 sq.m. through Foshan Dingtū Property Development Co., Ltd.\* (佛山鼎圖房地產有限公司) (the "Project Company") which has been established in the PRC on 25 April 2017 by Guangzhou Dingjia Property; (ii) Foshan Merchants Property shall contribute RMB10,000,000 to the registered capital of the Project Company and reimburse 50% of the shareholders' loan of RMB518,950,000 to Guangzhou Dingjia Property; and (iii) each of Guangzhou Dingjia Property and Foshan Merchants Property shall bear the land consideration of RMB1,037,900,000 in proportion to their proposed shareholdings in the Project Company. For details of the cooperation agreement, please refer to the announcement of the Company dated 31 May 2017;

- c) a cooperation framework agreement dated 6 March 2017 entered into between Nanjing Merchants Zhaosheng Property Development Limited\* (南京招商招盛房地產有限公司) (“Nanjing Merchants”), Chongqing Hanzhi Industrial Development Company Limited\* (重慶瀚置實業發展有限公司) (“Chongqing Hanzhi”) and Jurong Jinhui Real Estate Construction Company Limited\* (句容市金匯房產建設有限公司) (“Jurong Jinhui”) pursuant to which, among other things, (i) Nanjing Shengxiang Yuan Property Development Limited\* (南京盛香園房地產開發有限公司) (“Nanjing Shengxiang”) has been established in the PRC on 3 March 2017 specifically to engage in the development of a piece of land known as Nanjing 2016G98 Land situated from South Zhongshan Road in the east to Fengtai Road in the west, from Yingtian Avenue in the south to Qinhuai River in the north (東至中山南路，南至應天大街，西至鳳台路，北至秦淮河) with a total site area of 199,329.26 sq.m.; (ii) each of Nanjing Merchants, Chongqing Hanzhi and Jurong Jinhui has respectively contributed an amount of RMB10,200,000, RMB6,600,000, and RMB3,200,000 to the registered capital of Nanjing Shengxiang and shall respectively contribute an amount of RMB3,505,400,000, RMB3,402,300,000 and RMB3,402,300,000 for the acquisition and development of the Nanjing 2016G98 Land before 15 August 2017. For details of the cooperation framework agreement, please refer to the circular of the Company dated 14 July 2017;
- d) a land cooperation agreement dated 30 June 2016 entered into between Merchants Nanjing Real Estate Co., Ltd.\* (招商局地產(南京)有限公司) (“Merchants Nanjing”), Nanjing Renyuan Investment Co., Ltd\* (南京仁遠投資有限公司) (“Nanjing Renyuan”) and Poly Jiangsu pursuant to which, among other things, (i) Nanjing Shanjiyei Property Development Company Limited\* (南京善杰義房地產開發有限公司) (“Nanjing Shanjiyei”) has been established in the PRC on 2 August 2016 specially to engage in the development of a piece of land known as Nanjing 2016G01 Land situated from Jiangjiayuan in the east to South Rehe Road in the west, from Chaha’er Road in the south to Nanjing No. 52 Middle School in the north, Gulou District, Nanjing City, Jiangsu Province\* (江蘇省南京市鼓樓區，東至姜家園，南至察哈爾路，西至熱河南路，北至南京市第五十二中學) with a total site area of 62,728.1 sq.m. (the “Nanjing 2016G01 Land”); (ii) each of Merchants Nanjing, Nanjing Renyuan and Poly Jiangsu has respectively contributed an amount of RMB540,000,000, RMB495,000,000, and RMB465,000,000 to the registered capital of Nanjing Shanjiyei and shall respectively contribute an amount of RMB1,735,200,000, RMB1,590,600,000, and RMB1,494,200,000 for the acquisition and development of the Nanjing 2016G01 Land. For details of the land cooperation agreement, please refer to the circular of the Company dated 28 October 2016;

- e) a fund settlement agreement dated 23 September 2016 entered into between Merchants Nanjing and Poly Jiangsu to agree on the arrangements in relation to, among other matters, the form of contribution to be made by Poly Jiangsu to the remaining balance of RMB4,820,000,000, being the aggregate consideration payable for the transfer of land use rights for the Nanjing 2016G01 Land;
- f) a subscription agreement dated 8 April 2016 entered into between Cosmos Harvest Development Limited (“Cosmos Harvest”), an indirect wholly-owned subsidiary of the Company, Maxwell Investment and Development Pte. Ltd. (“Maxwell Investment”) and Poly Field International Investments Limited (“Poly Field”) as the target company, pursuant to which, among other things, Cosmos Harvest shall subscribe for new ordinary shares in Poly Field at the aggregate consideration of approximately RMB437,000,000 in cash, upon completion of the transactions thereunder, Poly Field would be held by Cosmos Harvest as to 60% and Maxwell Investment as to 40%. For details please refer to the announcement of the Company dated 8 April 2016;
- g) a cooperation agreement dated 18 September 2015 entered into between Nanjing Zhao Ping Li Sheng Investment Co., Ltd (“Nanjing Zhao Ping Li Sheng”), an indirect non wholly-owned subsidiary of the Company, Shenzhen Lianxin Investment and Management Company Limited\* (深圳聯新投資管理有限公司) (“Shenzhen Lianxin”) and Nanjing Hong Yang Real Estate Co., Ltd.\* (南京弘洋置業有限公司) (“Nanjing Hong Yang”), among other things, Nanjing Zhao Ping Li Sheng, Shenzhen Lianxin and Nanjing Hong Yang shall jointly establish a project company in the PRC specifically to engage in the construction and development of a real estate project on a land situated in Nanjing City, the PRC, and each of Nanjing Zhao Ping Li Sheng, Shenzhen Lianxin and Nanjing Hong Yang shall contribute the respective amounts of RMB9,224,000, RMB5,280,000 and RMB5,496,000 to the registered capital of the project company, and provide shareholders loans in the respective amounts of approximately RMB753,400,000 RMB451,150,000 and RMB469,550,000 respective to the project company. For details please refer to the announcement of the Company dated 18 September 2015;
- h) a cooperation agreement dated 11 September 2015 entered into between Nanjing Zhao Ping Li Sheng and Gezhouba Nanjing Real Estate Development Co., Ltd.\* (葛洲壩南京房地產開發有限公司) (“Nanjing Gezhouba”), pursuant to which, among other things, both parties shall provide shareholders’ loans to the project company to be jointly established by Nanjing Zhao Ping Li Sheng and Nanjing Gezhouba in proportion to their percentage shareholding of 30% and 70% respectively. The total shareholder’s loan commitment of Nanjing Zhao Ping Li Sheng was at least RMB969,000,000 for contributing to the acquisition consideration of the Project Land. For details please refer to the announcement of the Company dated 11 September 2015;



- i) the trust deed dated 23 June 2015 entered into between the Company as the guarantor, Cosmos Boom Investment Limited (“Cosmos Boom”), a wholly owned subsidiary of the Company, as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee in connection with the credit enhanced convertible bonds in an aggregate principal amount of US\$290,000,000 bearing a coupon rate of 0.5% per annum due 2020 issued by Cosmos Boom;
- j) the agency agreement dated 23 June 2015 between the Company as the guarantor, Cosmos Boom as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee, the registrar, the transfer agent, the principal paying agent, the pre-funding account bank and the LC proceeds account bank in connection with the credit enhanced convertible bonds in an aggregate principal amount of US\$290,000,000 bearing a coupon rate of 0.5% per annum due 2020 issued by Cosmos Boom;
- k) the subscription agreement dated 2 June 2015 between the Company as the guarantor, Cosmos Boom as the issuer and Merrill Lynch Far East Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited and DBS Bank Ltd., as the joint lead managers in connection with the credit enhanced convertible bonds in an aggregate principal amount of US\$290,000,000 bearing a coupon rate of 0.5% per annum due 2020 issued by Cosmos Boom. For details of this subscription agreement, the agency agreement (in item j above) and the trust deed (in item i above), please refer to the announcement of the Company dated 2 June 2015;
- l) a cooperation framework agreement dated 5 May 2015 entered into between Guan Hua Gang Trading (Shenzhen) Co., Ltd.\* (冠華港貿易(深圳)有限公司) (“Guan Hua Gang”), an indirect wholly-owned subsidiary of the Company, Shenzhen Lianxin, Huarun Zhidi One Two Three Four (Shenzhen) Commercial Operation Management Company Limited\* (華潤置地一二三四(深圳)商業營運管理有限公司) (“CR Land Shenzhen”) and Guangzhou Lianzhou Real Estate Company Limited\* (廣州聯洲房地產有限公司) (“Guangzhou Lianzhou”), a project company established specifically for the construction and development of a real estate project on a land situated in Guangzhou, the PRC, pursuant to which, among other things, (i) Guan Hua Gang, Shenzhen Lianxin and CR Land Shenzhen shall subscribe in cash for the capital increase in the registered capital of Guangzhou Lianzhou in the respective amounts of RMB68,000,000, RMB66,000,000 and RMB66,000,000; and (ii) upon completion of the capital increase in Guangzhou Lianzhou, Guan Hua Gang, Shenzhen Lianxin and CR Land Shenzhen shall provide shareholders’ loans to Guangzhou Lianzhou in proportion to their shareholding percentage in Guangzhou Lianzhou and the shareholder’s loan to be provided by Guan Hua Gang was approximately RMB331,000,000 plus a reimbursement of funding cost to Shenzhen Lianxin. For details of please refer to the announcement of the Company dated 5 May 2015; and



- m) a cooperation framework agreement dated 5 May 2015 entered into between Guan Hua Gang, Shenzhen Lianxin, CR Land Shenzhen and Guangzhou Liansen, a project company established specifically for the construction and development of a real estate project on another land situated in Guangzhou, the PRC, pursuant to which, among other things, Guan Hua Gang, Shenzhen Lianxin and CR Land Shenzhen subscribed in cash for the capital increase in the registered capital of Guangzhou Liansen in the respective amounts of RMB68,000,000, RMB66,000,000 and RMB66,000,000 and the shareholder's loan to be provided by Guan Hua Gang was approximately RMB391,000,000 plus a reimbursement of funding cost to Shenzhen Lianxin. For details of please refer to the announcement of the Company dated 5 May 2015.

#### 10. 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, 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 12 September 2017:

- a) the memorandum and articles of association of the Company;
- b) the Cooperation Agreement;
- c) the letter from the Board dated 24 August 2017, the text of which is set out on pages 4 to 11 of this circular;
- d) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016;
- e) the material contracts referred to in the section headed "Material contracts" in this appendix;
- f) a copy of this circular; and
- g) a copy of the circular of the Company dated 14 July 2017 in relation to the formation of a JV Company.

\* *Unofficial English translation denotes for identification purposes only*