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**(1) MAJOR AND CONNECTED TRANSACTION:
ADDITIONAL CAPITAL CONTRIBUTION TO
A CONNECTED SUBSIDIARY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED
浩德融資有限公司

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 15 to 29 of this circular.

A notice convening an extraordinary general meeting of China Merchants Land Limited to be held at Macau Jockey Club (HK Clubhouse) 3/F, Shun Tak Centre, Merchant Tower, 200 Connaught Road Central, Hong Kong on Tuesday, 19 December 2017 at 11:30 a.m. is set out on pages 42 to 43 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://ir.cmland.hk>).

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the forthcoming extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	13
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	15
APPENDIX I – FINANCIAL DETAILS OF THE GROUP	30
APPENDIX II – GENERAL INFORMATION	34
NOTICE OF EXTRAORDINARY GENERAL MEETING	42

DEFINITIONS

“Additional Capital Contribution”	the proposed additional capital contribution of RMB4,900,000,000 and RMB5,100,000,000 to be made by CMSK and Shenzhen Merchants to Nanjing Merchants respectively pursuant to the terms of the Capital Increase Agreements
“Announcements”	the announcements of the Company dated 1 November 2017, 13 November 2017 and 21 November 2017 in relation to the Original Capital Increase Agreement, delay in despatch of this circular and the Supplemental Capital Increase Agreement, respectively
“Board”	the board of Directors
“Capital Increase Agreements”	the Original Capital Increase Agreement, together with the Supplemental Capital Increase Agreement
“CMG”	China Merchants Group Limited (招商局集團有限公司), a company established in the PRC with limited liability, being the ultimate shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date
“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 controlling shareholder of the Company and indirectly holds 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)
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Capital Increase Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Happy City”	Happy City Investments Limited (樂富投資有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Capital Increase Agreements and the transactions contemplated therein
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a licensed corporation 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 appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Capital Increase Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM for the resolution approving the Capital Increase Agreements and the transactions contemplated thereunder
“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

DEFINITIONS

“Latest Practicable Date”	1 December 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
“Nanjing Merchants”	Merchants Nanjing Real Estate Co., Ltd (招商局地產(南京)有限公司), a company established in the PRC with limited liability which is owned as to 49% and 51% by CMSK and Happy City respectively before the completion of the Additional Capital Contribution, and a non wholly-owned subsidiary of the Company
“Original Capital Increase Agreement”	a capital increase agreement dated 1 November 2017 entered into between CMSK, Happy City and Shenzhen Merchants
“Percentage Ratios”	the “percentage ratios” as defined in rule 14A.10(10) of the Listing Rules
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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)
“Shenzhen Merchants”	China Merchants Land (Shenzhen) Limited* (招商局置地(深圳)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Supplemental Capital Increase Agreement” a supplemental capital increase agreement dated 21 November 2017 entered into between CMSK, Happy City and Shenzhen Merchants to amend certain terms of the Original Capital Increase Agreement

“%” per cent

* *Unofficial English translation denotes for identification purposes only*

In this circular, the terms “associate”, “connected person”, “connected subsidiary”, “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 with limited liability in the Cayman Islands)

(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

Registered office:

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

**Head office and place of
business in Hong Kong:**

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

4 December 2017

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

Reference is made to the Announcements of the Company in relation to the Capital Increase Agreements.

On 1 November 2017, CMSK, Happy City and Shenzhen Merchants entered into the Original Capital Increase Agreement, pursuant to which CMSK and Shenzhen Merchants shall make Additional Capital Contribution of RMB4,900,000,000 and RMB5,100,000,000, respectively to Nanjing Merchants. Given that there is upward adjustment to the valuation of net assets of Nanjing Merchants, on 21 November 2017, CMSK, Happy City and Shenzhen Merchants entered into the Supplemental Capital Increase Agreement to amend the terms regarding the Additional Capital Contribution.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Capital Increase Agreements and the transactions contemplated thereunder; (ii) the recommendations from the Independent Board Committee on the Capital Increase Agreements and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser on the Capital Increase Agreements and the transactions contemplated thereunder; and (iv) a notice for convening the EGM (to consider and, if thought fit, to approve the Capital Increase Agreements and the transactions contemplated thereunder).

CAPITAL INCREASE AGREEMENTS

Details of the Capital Increase Agreements are summarised below.

Date of Original Capital Increase Agreement and Supplemental Capital Increase Agreement

1 November 2017 and 21 November 2017, respectively

Parties

- i. CMSK, a controlling shareholder of the Company;
- ii. Happy City, an indirect wholly-owned subsidiary of the Company; and
- iii. Shenzhen Merchants, an indirect wholly-owned subsidiary of the Company.

Additional Capital Contribution to Nanjing Merchants

Pursuant to the Capital Increase Agreements, CMSK and Shenzhen Merchants shall make Additional Capital Contribution of RMB4,900,000,000 and RMB5,100,000,000 respectively to Nanjing Merchants. The Additional Capital Contribution shall be allocated to the registered capital and capital reserve of Nanjing Merchants in the following proportion:

Name of shareholder	Registered capital (RMB)	Capital reserve (RMB)	Total (RMB)
CMSK	62,906,600	4,837,093,400	4,900,000,000
Happy City	–	–	–
Shenzhen Merchants	65,474,200	5,034,525,800	5,100,000,000
	<u>128,380,800</u>	<u>9,871,619,200</u>	<u>10,000,000,000</u>

LETTER FROM THE BOARD

Set out below is the registered capital and capital reserve of Nanjing Merchants before and after the Additional Capital Contribution:

Name of shareholder	Before the Additional Capital Contribution		After the Additional Capital Contribution		Total
	Registered capital (RMB)	Capital reserve (RMB)	Registered capital (RMB)	Capital reserve (RMB)	
CMSK	14,700,000	–	77,606,600	4,837,093,400	4,914,700,000
Happy City	15,300,000	–	15,300,000	–	15,300,000
Shenzhen Merchants	–	–	65,474,200	5,034,525,800	5,100,000,000
	<u>30,000,000</u>	<u>–</u>	<u>158,380,800</u>	<u>9,871,619,200</u>	<u>10,030,000,000</u>

Shareholding structure of Nanjing Merchants

Immediately after the completion of the Additional Capital Contribution, the enlarged registered capital of Nanjing Merchants shall be owned as to 49.00%, 9.66%, and 41.34% by CMSK, Happy City and Shenzhen Merchants, respectively. The aggregate indirect interest of the Company in Nanjing Merchants (held through Happy City and Shenzhen Merchants) shall remain unchanged at 51%.

Payment of the Additional Capital Contribution

CMSK and Shenzhen Merchants shall make payment for their respective portion of the Additional Capital Contribution to Nanjing Merchants by stages before 31 December 2018. The schedule of contribution payment is expected as follows:

	Before 28 February 2018 (RMB)	Before 31 December 2018 (RMB)
CMSK	2,450,000,000	2,450,000,000
Shenzhen Merchants	<u>2,550,000,000</u>	<u>2,550,000,000</u>
Total	<u>5,000,000,000</u>	<u>5,000,000,000</u>

The portion of the Additional Capital Contribution to be made by Shenzhen Merchants shall be funded by the internal resources of the Group.

LETTER FROM THE BOARD

Other terms

The Capital Increase Agreements (together with the transactions contemplated thereunder) shall, after being signed by the parties, be subject to the approval by the Shareholders at the EGM.

The Capital Increase Agreements shall become effective and binding on the parties upon obtaining:

- (i) the filing approval of the valuation report regarding the valuation of Nanjing Merchants issued by CMG (the “Valuation Approval”) pursuant to the Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council – Provisional Measures for the Management of Valuation of State-owned Assets of Companies (《企業國有資產評估管理暫行辦法》(國資委令第12號)); and
- (ii) the Shareholders’ approval of the Capital Increase Agreements and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, the Valuation Approval has been obtained.

REASONS FOR AND BENEFITS OF THE ADDITIONAL CAPITAL CONTRIBUTION

Nanjing Merchants is principally engaged in property development. Nanjing Merchants has been exploring the possibility to invest in new property development and/or land acquisition projects in Nanjing to be carried out around 2018, which would require capital of approximately RMB11,000,000,000. The Additional Capital Contribution is expected to provide Nanjing Merchants funds for property development projects and any further expansion in Nanjing in the future.

Having considered that the potential projects to be undertaken by Nanjing Merchants are in line with the Group’s business strategies to expand the Group’s property development business, the Directors are of the view that the Additional Capital Contribution is beneficial for Nanjing Merchants to fund any potential property development projects from time to time and presents a valuable investment opportunity for the Group to enhance its property development business in the PRC, thereby benefiting from the growth of the PRC local economy. The Company will comply with all requirements under the Listing Rules applicable to any potential property development projects to be undertaken by Nanjing Merchants.

The Additional Capital Contribution does not only serve to raise funds for Nanjing Merchants to make future investment, but also improves the financial conditions of the Group by enhancing its capital structure and reducing its gearing ratio. Following the Additional Capital Contribution, Nanjing Merchants shall raise an aggregate amount of RMB10,000,000,000, and the Group’s net gearing ratio shall decrease by 42%, assuming the transaction had been completed on 31 December 2016. Accordingly, the Group’s capital structure can be significantly improved, and the Group’s net gearing ratio can be maintained at the industry average level.

LETTER FROM THE BOARD

The amount of the Additional Capital Contribution is determined based on the abovementioned plans and the currently available capital of Nanjing Merchants. Given that Happy City is incorporated in Hong Kong, it would take more time in obtaining regulatory approvals (such as the approvals of the Ministry of Commerce and the State Administration of Foreign Exchange) if Happy City made the Additional Capital Contribution to Nanjing Merchants. To ensure that Nanjing Merchants can obtain capital to undertake projects in a timely manner and that the respective interest of CMSK and the Company in Nanjing Merchants can be maintained at 49% and 51%, the Additional Capital Contribution is arranged to be made by CMSK and Shenzhen Merchants (a wholly-owned subsidiary of the Company established in the PRC), rather than by Happy City.

The terms of the Capital Increase Agreements have been arrived at after arm's length negotiations between the parties. The amount of Additional Capital Contribution is based on the actual funding needs of Nanjing Merchants and the portion to be contributed by Shenzhen Merchants is determined with reference to its shareholding in Nanjing Merchants. Based on the current status and the property development plans of Nanjing Merchants, the Directors (excluding all the independent non-executive Directors of the Company, who give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Capital Increase Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

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.

CMSK is a company established in the PRC with limited liability. Its principal business activities include investment, development and operation of city and community, transportation and industrial manufacturing.

Happy City is a company established in Hong Kong with limited liability. It is principally engaged in investment holding.

Shenzhen Merchants is a company established in the PRC with limited liability. It is principally engaged in trading of electronic and electrical and building related materials and equipment.

Nanjing Merchants is a company established in the PRC with limited liability. It is principally engaged in property development. According to the audited accounts of Nanjing Merchants prepared in accordance with the PRC Generally Accepted Accounting Principles, Nanjing Merchants has total assets and total equity of approximately RMB6,147,526,718.83 and RMB445,928,768.19 respectively as at 31 December 2016, and its

LETTER FROM THE BOARD

net profit (before taxation) for the two years ended 31 December 2015 and 2016 are approximately RMB5,671,509.14 and RMB121,264,784.96, respectively.

FINANCIAL EFFECTS OF THE ADDITIONAL CAPITAL CONTRIBUTION

Following the completion of the Additional Capital Contribution, the registered capital of Nanjing Merchants shall increase from RMB30,000,000 to RMB158,380,800, which shall be owned as to 51% by the Company through Happy City and Shenzhen Merchants. Nanjing Merchants shall continue to be accounted for as a non-wholly owned subsidiary of the Company and its financial results shall continue to be consolidated into the accounts of the Group.

The Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants under the Capital Increase Agreements shall be funded by the Group's internal resources. The Additional Capital Contribution is expected to result in increase in cash of no more than RMB4,900,000,000 and increase in net assets for the same amount.

The effect of the Additional Capital Contribution on the Group's earnings will depend on the profitability from the related projects to be undertaken by Nanjing Merchants.

Following the Additional Capital Contribution, the Group's with-interest debt ratio and gearing ratio will be decreased by 7% and 42% respectively, assuming the transaction had been completed on 31 December 2016. Accordingly, the capital structure of the Group will be improved significantly.

Save as disclosed above, the Directors consider that the Group's contribution for the transactions contemplated under the Capital Increase Agreements shall not have any immediate material effect on the total assets, earnings and liabilities of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rules 14.07 and 14.15(2) of the Listing Rules in respect of the capital commitment by Shenzhen Merchants under the Capital Increase Agreements exceed 25% but are less than 75%, the entering into of the Capital Increase Agreements and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

CMSK is a controlling shareholder of the Company which holds approximately 74.35% of the total issued share capital of the Company, and therefore is a connected person of the Company at the issuer level. As Nanjing Merchants (a non wholly-owned subsidiary of the Company) is owned as to 49% by CMSK, Nanjing Merchants is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules in respect of the Company's connected person at the issuer level and the transactions contemplated under the Capital Increase Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee of the Company comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Capital Increase Agreements and the transactions contemplated thereunder. Altus Capital has been appointed as the independent financial adviser to provide advice and recommendation to the independent board committee of the Company and the Independent Shareholders in respect of the Capital Increase Agreements and the transactions contemplated thereunder.

GENERAL INFORMATION

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the Capital Increase Agreements and any transactions contemplated thereunder.

As at the date of this announcement, CMSK and its associates are interested in 3,646,889,329 Shares, representing approximately 74.35% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the Capital Increase Agreements and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Capital Increase Agreements and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the Capital Increase Agreements and the transactions contemplated thereunder.

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

EGM

The voting at the EGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Listing Rules as soon as possible.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the branch share registrar of the Company, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the

LETTER FROM THE BOARD

instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person.

RECOMMENDATION

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) considers that it is in the best interests of the Company and the Shareholders as a whole to enter into the Capital Increase Agreements and the transactions contemplated thereunder; the terms of the Capital Increase Agreements are fair and reasonable; and entering into of the Capital Increase Agreements and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution for approving the Capital Increase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the additional information set out in the appendices to this circular and the notice of the EGM.

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



4 December 2017

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
ADDITIONAL CAPITAL CONTRIBUTION TO
A CONNECTED SUBSIDIARY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 4 December 2017 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Capital Increase Agreements and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Capital Increase Agreements and the transactions contemplated thereunder as set out in the Circular. Altus Capital has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 15 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Capital Increase Agreements and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to the Circular.

Having considered the terms of the Capital Increase Agreements and the transactions contemplated thereunder, the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we consider that (i) the Capital Increase Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the Shareholders as a whole; and (ii) the terms of the Capital Increase 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 resolution for approving the Capital Increase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
The Independent Board Committee of
China Merchants Land Limited

Dr. WONG Wing Kuen, Albert
Independent non-executive Director

Ms. CHEN Yanping
Independent non-executive Director

Dr. SHI Xinping
Independent non-executive Director

Mr. HE Qi
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.



Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

4 December 2017

*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,

MAJOR AND CONNECTED TRANSACTION: ADDITIONAL CAPITAL CONTRIBUTION TO A CONNECTED SUBSIDIARY

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 Capital Increase Agreements and the transactions contemplated thereunder. Details of the Capital Increase Agreements are set out in the "Letter from the Board" contained in the circular of the Company dated 4 December 2017 (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 Capital Increase Agreements

On 1 and 21 November 2017, CMSK, Happy City, and Shenzhen Merchants entered into the Original Capital Increase Agreement and the Supplemental Capital Increase Agreement, pursuant to which CMSK and Shenzhen Merchants shall make Additional Capital Contribution of RMB4,900,000,000 and RMB5,100,000,000, respectively to Nanjing Merchants. Prior to the completion of the Additional Capital Contribution, Nanjing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Merchants is owned as to 49% and 51% respectively by CMSK and Happy City, an indirect wholly-owned subsidiary of the Company. Immediately after the completion of the Additional Capital Contribution, the enlarged registered capital of Nanjing Merchants shall be owned as to 49%, 9.66%, and 41.34% by CMSK, Happy City and Shenzhen Merchants, respectively. The aggregate indirect interest of the Company in Nanjing Merchants (held through Happy City and Shenzhen Merchants) shall remain unchanged at 51%.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated by reference to Rules 14.07 and 14.15(2) of the Listing Rules in respect of the capital commitment by Shenzhen Merchants under the Capital Increase Agreements exceed 25% but are less than 75%, the entering into of the Capital Increase Agreements and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

CMSK is a controlling shareholder of the Company which holds approximately 74.35% of the total issued share capital of the Company, and therefore is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules in respect of the Company's connected person at the issuer level and the transactions contemplated under the Capital Increase Agreements constitute a connected transaction of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements.

None of the Directors has any material interest in the Capital Increase Agreements and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolution approving the Capital Increase 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, CMSK and its associates together hold approximately 74.35% of the issued share capital of the Company. In accordance with the Listing Rules, CMSK and its associates shall abstain from voting on the resolution approving the Capital Increase Agreements and the transactions contemplated thereunder.

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 Additional Capital Contribution and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the Capital Increase Agreements are on normal commercial terms and are fair and reasonable; (ii) whether the Capital Increase Agreements 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should vote in respect of the resolution relating to the Capital Increase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

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 Capital Increase Agreements are on normal commercial terms and are fair and reasonable; (ii) whether the Capital Increase Agreements 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 resolution relating to the Capital Increase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

During the last two years prior to the date of the Circular, we have previously acted as an independent financial adviser to the Company with regards to (i) discloseable and connected transactions and (ii) a continuing connected transaction. Details of the aforesaid transactions of the Company are set out in a circular dated 15 September 2016 and an announcement dated 7 April 2017 respectively. Save for the above, 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 Capital Increase Agreement and the transactions contemplated thereunder is at a market level and not conditional upon successful passing of the resolution, 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 reviewed, amongst others, (i) the Original Capital Increase Agreement; (ii) the Supplemental Capital Increase Agreement; (iii) the Company's annual report for the year ended 31 December 2016 (the "2016 Annual Report"); (iv) the Company's interim report for the six months ended 30 June 2017 (the "2017 Interim Report"); (v) an announcement of the Company dated 15 May 2017 issued pursuant to Rule 13.18 of the Listing Rules in relation to a term loan facility of up to RMB600,000,000; (vi) the audited accounts of Nanjing Merchants for each of the year ended 31 December 2015 and 2016, respectively; and (vii) other information set out in the Circular.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 2016 Annual Report and the 2017 Interim Report, the Company is an investment holding company. Its subsidiaries are principally engaged in the development, sale, lease, investment and management of properties (the “Property Business”); and the sale of electronic and electrical related products and building related materials and equipment.

1.2 Financial information of the Group

Set out below are the operating results of the Group for the year ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017, as extracted from the 2016 Annual Report and 2017 Interim Report, respectively.

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,394,944	11,606,442	3,333,401	4,872,150
Gross profit	1,556,932	3,337,146	709,739	1,116,763
Profit and total comprehensive income attributable to owners of the Company	209,847	831,615	57,695	283,146

Source: 2016 Annual Report and 2017 Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2016

Revenue for the year ended 31 December 2016 was approximately RMB11.6 billion, representing an increase of approximately 81% from approximately RMB6.4 billion for the same period in 2015. Such increase was mainly attributable to increase in total gross floor area (“GFA”) completed and delivered during the year ended 31 December 2016.

Gross profit increased by approximately 114% from approximately RMB1.6 billion for the year ended 31 December 2015 to approximately RMB3.3 billion for the year ended 31 December 2016. Such increase was due to the increase in the total GFA completed and delivered during the year ended 31 December 2016. Bank interest income for the year ended 31 December 2016 was approximately RMB33.3 million (representing approximately 15.6% of the other income recorded by the Group for that year) and remained relatively stable as compared to the previous year.

The Group recorded approximately RMB831.6 million in profit and total comprehensive income attributable to the owners of the Company for the year ended 31 December 2016, representing an increase of approximately 396% from approximately RMB209.9 million for the preceding year.

For the six months ended 30 June 2017

According to the 2017 Interim Report, the Group recorded revenue growth from approximately RMB3.3 billion for the six months ended 30 June 2016 to approximately RMB4.9 billion for the corresponding period in 2017, representing a significant increase of approximately 46%. Such increase was mainly due to the increase in the total GFA completed and delivered in the first half of 2017.

Gross profit increased by approximately 157% from approximately RMB0.7 billion for the six months ended 30 June 2016 to approximately RMB1.1 billion for the same period in 2017. Such increase was due to the increase in the total GFA completed and delivered during the six months ended 30 June 2017.

Although those properties completed and delivered during the first half of 2016 increased in terms of GFA, those properties were mainly held by project companies in which the Group held relatively low equity interest, the Group only recorded approximately RMB57.7 million of profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2016. As more properties were completed and delivered during the first half of 2017, the Group recorded approximately RMB283.1 million of profit and total comprehensive income attributable to owners of the Company for the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

six months ended 30 June 2017 representing an increase of approximately 491% as compared with the same period last year.

	As at 31 December		As at 30
	2015	2016	June
	(audited)	(audited)	(unaudited)
	RMB'000	RMB'000	RMB'000
Net assets	11,685,090	14,107,970	14,578,716
Total liabilities	27,178,625	34,338,398	39,705,222
Properties for sale	29,323,044	32,035,534	33,431,909
Investment properties	21,759	801,159	1,226,718
Bank balances and cash	3,697,337	5,810,922	6,935,329

Source: 2016 Annual Report and 2017 Interim Report

As at 31 December 2016

The Group recorded net asset growth from approximately RMB11.7 billion as at 31 December 2015 to approximately RMB14.1 billion as at 31 December 2016, representing an increase of approximately 20.7%. Total liabilities of the Group increased from approximately RMB27.2 billion as at 31 December 2015 to approximately RMB34.3 billion as at 31 December 2016, representing an increase of approximately 26.3%. Such increase was mainly due to increase in unsecured, interest bearing loans offered by non-controlling equity holder of subsidiaries of the Group and an intermediate holding company in the year ended 31 December 2016.

Properties for sale of the Group increased from approximately RMB29.3 billion as at 31 December 2015 to approximately RMB32.0 billion as at 31 December 2016, representing an increase of approximately 9.2%.

Investment properties of the Group increased from approximately RMB21.8 million as at 31 December 2015 to approximately RMB801.2 million as at 31 December 2016. Such increase was mainly due to a change of the Group's strategy to hold certain commercial properties for lease rather than for sale during the year ended 31 December 2016.

Bank balances and cash of the Group increased from approximately RMB3.7 billion as at 31 December 2015 to approximately RMB5.8 billion as at 31 December 2016, mainly due to increased property sales, bank borrowings and issue of guaranteed convertible bonds and credit enhanced bonds during the year ended 31 December 2016.

As at 31 December 2016, total interest-bearing debt of the Group increased from approximately RMB11.8 billion as at 31 December 2015

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to approximately RMB14.9 billion as at 31 December 2016. Such increase was mainly due to the issue of guaranteed convertible bonds and credit enhanced bonds, representing an increase of approximately 24.5%. As at 31 December 2016, bank and other borrowings due within a year amounted to approximately RMB2.6 billion, representing approximately 48.7% of the Group's total bank and other borrowings.

At 31 December 2016, the Group's net interest-bearing debt (total interest-bearing debt minus bank balances and cash) to equity ratio (including non-controlling interests) (the "net gearing ratio") was approximately 63% (as at 2015: approximately 69%).

As at 30 June 2017

As at 30 June 2017, the Group recorded net asset growth from approximately RMB14.1 billion as at 31 December 2016 to approximately RMB14.6 billion as at 30 June 2017, representing an increase of approximately 3.3%. 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 RMB34.3 billion as at 31 December 2016 to approximately RMB39.7 billion as at 30 June 2017, representing an increase of approximately 15.6%. Such increase was mainly due to higher deposits received in respect of pre-sale of properties and the increase of loans from an intermediate holding company.

Properties for sale of the Group increased from approximately RMB32.0 billion as at 31 December 2016 to approximately RMB33.4 billion as at 30 June 2017, representing an increase of approximately 4.4%.

Bank balances and cash of the Group increased from approximately RMB5.8 billion as at 31 December 2016 to approximately RMB6.9 billion as at 30 June 2017, mainly due to higher deposits received in respect of pre-sale of properties.

As at 30 June 2017, the Group recorded total interest-bearing debt of approximately RMB15.1 billion, consisting of (i) bank and other borrowings of approximately RMB5.3 billion; (ii) loans from equity holders of approximately RMB4.7 billion; (iii) bonds payable maturing in December 2018 with fair market value of approximately RMB3.4 billion; and (iv) convertible bonds maturing in June 2020 with fair market value of approximately RMB1.7 billion.

At 30 June 2017, the Group's net gearing ratio was approximately 56% (as at 31 December 2016: approximately 63%).

1.3 Outlook of the Group

Reference is made to the 2017 Interim Report, the Management took the view that China would maintain a moderate to high-speed growth in the domestic economy, and continue to deepen the supply-side structural reform. Given the property landscape in the PRC, the Management also took the view that the property market in the PRC would 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. Hence, the Group also took the opportunity to acquire a parcel of land in Jurong of the Jiangsu Province (please refer to a voluntary announcement of the Company dated 8 September 2017 in this regard) and to make further contribution to Foshan Dingtou Property Development Co., Ltd. (please refer to a discloseable transaction announcement of the Company dated 19 September 2017 in this regard).

In addition, the Group has implemented plans to expedite its transformation, develop more light-asset business and establish a professional operating platform, leveraging on its offshore listing platform as well as the resources of CMSK and the wider China Merchants Group.

As the Management believes the financial position of the Group as mentioned above is stable and the potential financing capacity is strong, the Group intends to continue to take a relatively stable financial policies and strive to control the net gearing ratio at the industry average level.

Having taken into account the above, we are of the view that the Additional Capital Contribution to Nanjing Merchants are in the ordinary and usual course of business of the Group.

2. Background information of Nanjing Merchants

2.1 Background of Nanjing Merchants

Nanjing Merchants is a company established in the PRC with limited liability. It is principally engaged in property development.

According to the 2017 Interim Report, the land bank of projects of the Group in Nanjing area (i.e. project saleable GFA in the future of 664,160 sq. m.) representing approximately 12% of the Group's total land bank (i.e. project saleable GFA in the future of 5,456,555 sq. m.). For the first half of 2017, the Group, together with its associated companies and joint venture recorded contracted sales of approximately RMB13.4 billion from five cities and the saleable area sold was approximately 773,064 sq. m., of which contracted sales in Nanjing area amounted to approximately RMB4.5 billion (representing approximately 33% of the total amount of contracted sales of the Group) and approximately 174,165 sq. m. (representing approximately 23% of the total

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amount of contracted sales in area of the Group). As at 30 June 2017, the Group has a total GFA of approximately 3,376,195 sq. m. under development, of which Nanjing area amounted to approximately 911,154 sq. m. (representing approximately 27.0% of the total GFA under development). As shown above, Nanjing area is an important contributor to the Group's Property Business.

Having taken into account the above, we are of the view that the Additional Capital Contribution to Nanjing Merchants is in the interests of the Company and the Shareholders as a whole.

2.2 Operating results of Nanjing Merchants

According to the audited accounts of Nanjing Merchants prepared in accordance with the PRC Generally Accepted Accounting Principles, set out below are the operating results of Nanjing Merchants for the year ended 31 December 2015 and 2016 as extracted from the audited accounts of Nanjing Merchants for each of the year ended 31 December 2015 and 2016, respectively.

	For the year ended	
	31 December	
	2015	2016
	(audited)	(audited)
	RMB'000	RMB'000
Revenue	115,606	174,482
Gross profit	7,690	102,744
Net profit (before taxation)	5,672	121,265
	As at 31 December	
	2015	2016
	(audited)	(audited)
	RMB'000	RMB'000
Current assets	1,342,099	2,892,453
Current liabilities	2,846,717	5,701,598
Net current liabilities	(1,504,618)	(2,809,145)
Total assets	3,171,381	6,147,527
Total liabilities	2,846,717	5,701,598
Net assets	324,664	445,929
Bank balances and cash	16,370	42,028

For the year ended 31 December 2016

Revenue for the year ended 31 December 2016 was approximately RMB174.5 million, representing an increase of approximately 81% from approximately RMB115.6 million for the same period in 2015. Such increase was mainly attributable to increase in total GFA completed and delivered during the year ended 31 December 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gross profit increased by approximately 13.4 times from approximately RMB7.7 million for the year ended 31 December 2015 to approximately RMB102.7 million for the year ended 31 December 2016. Such increase was due to the increase in the total GFA completed and delivered during the year ended 31 December 2016.

Nanjing Merchants recorded approximately RMB121.3 million in net profit (before taxation) for the year ended 31 December 2016, representing an increase of approximately 213% from approximately RMB5.7 million for the preceding year.

As at 31 December 2016

Nanjing Merchants recorded net current liabilities as at 31 December 2015 and 2016, and the amount has increased from approximately RMB1.5 billion to approximately RMB2.8 billion, representing an increase of approximately 86.7%, due to a substantial increase in current liabilities to approximately RMB5.7 billion as at 31 December 2016 as compared to approximately RMB2.8 billion as at 31 December 2015. Such substantial increase in current liabilities as at 31 December 2016 was due to increase in the amount owe to its holding company. As at 31 December 2016, Nanjing Merchants recorded net asset growth from approximately RMB324.6 million as at 31 December 2015 to approximately RMB445.9 million as at 31 December 2016, representing an increase of approximately 37.4%.

Bank balances and cash of Nanjing Merchants increased from approximately RMB16.4 million as at 31 December 2015 to approximately RMB42.0 million as at 31 December 2016, mainly due to increased property sales during the year ended 31 December 2016.

3. Reasons and benefits for the Additional Capital Contribution

According to the Management, as Nanjing Merchants is principally engaged in property development, it has been exploring the possibility to invest in new property development and/or land acquisition projects in Nanjing to be carried out in or around 2018 which would require capital of approximately RMB11,000,000,000, of which approximately RMB6.8 billion is expected to be applied for a Nanjing CBD mixed use of commercial, office and residential project and the remaining RMB4.2 billion will be applied for working capital of future land acquisition and development (which the Management as at the Latest Practicable Date has identified at least 2 potential projects). Hence, the Additional Capital Contribution to be made pursuant to the Capital Increase Agreements is expected to provide Nanjing Merchants funds for property development projects and any further expansion in Nanjing in the future.

Given that Nanjing area being an important contributor to the Group's Property Business, it is the Management's intention to continue to grow the Property Business in this region as evidenced by the acquisition of a parcel of land in Jurong of the Jiangsu Province in September 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that the potential projects to be undertaken by Nanjing Merchants are in line with the Group's business strategies to expand the Group's property development business, the Management is of the view and we concur that the Additional Capital Contribution is beneficial for Nanjing Merchants to fund any potential property development projects from time to time and presents a valuable investment opportunity for the Group to enhance its property development business in the PRC, thereby benefiting from the growth of the PRC local economy. It is noted that the Company will comply with all requirements under the Listing Rules applicable to any potential property development projects to be undertaken by Nanjing Merchants.

According to the Management, the Additional Capital Contribution does not only serve to raise funds for Nanjing Merchants to make future investment, but also improves the financial conditions of the Group by enhancing its capital structure and reducing its gearing ratio. Following the Additional Capital Contribution, Nanjing Merchants shall raise an aggregate amount of RMB10,000,000,000, and the Group's net gearing ratio shall decrease by 42%, assuming the transaction had been completed on 31 December 2016. Given that the Group intends to continue to take a relatively stable financial policies and strive to control the net gearing ratio at the industry average level, the Management believes and we concur to utilise the internal resources for Additional Capital Contribution for Nanjing Merchants will be able to strengthen the financial position of Nanjing Merchants and in turn the overall net gearing ratio of the Group; which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As stated in the "Letter from the Board" of the Circular, given that Happy City is incorporated in Hong Kong, it would take more time in obtaining regulatory approvals (such as the approvals of the Ministry of Commerce and the State Administration of Foreign Exchange) if Happy City made the Additional Capital Contribution to Nanjing Merchants, and in order to ensure that Nanjing Merchants can obtain capital to undertake projects in a timely manner and that the respective interest of CMSK and the Company in Nanjing Merchants can be maintained at 49% and 51%, the Additional Capital Contribution is arranged to be made by CMSK and Shenzhen Merchants (a wholly-owned subsidiary of the Company established in the PRC), rather than by Happy City, which we consider such arrangement to be fair and reasonable.

4. Principal terms of the Capital Increase Agreements

According to the Management, the terms of the Capital Increase Agreements have been arrived at after arm's length negotiations between the parties.

To assess the fairness and reasonableness of the Capital Increase Agreements, we have considered, among others, the following salient terms of the Capital Increase Agreements.

4.1 Additional Capital Contribution

According to the Management, the amount of the Additional Capital Contribution is determined based on the funding needs and the capital

requirements of the property development projects of Nanjing Merchants. In addition, since regulatory approval of the Ministry of Commerce and the State Administration of Foreign Exchange would be required if Happy City, which is incorporated in Hong Kong, made the capital contribution, the capital required by Nanjing Merchants for undertaking projects might not be satisfied in a timely manner. To ensure that Nanjing Merchants can undertake projects in a timely manner and that the respective interest of CMSK and the Company in Nanjing Merchants can be maintained at 49% and 51%, the Additional Capital Contribution is arranged to be made by CMSK and Shenzhen Merchants (a wholly-owned subsidiary of the Company established in the PRC), rather than by Happy City.

Pursuant to the Capital Increase Agreements, CMSK and Shenzhen Merchants shall make Additional Capital Contribution of RMB4,900,000,000 and RMB5,100,000,000 respectively to Nanjing Merchants. The Additional Capital Contribution shall be allocated to the registered capital and capital reserve of Nanjing Merchants in the ratio of 49:51 which is in the same proportion as their shareholding interest. Details of which are set out in the paragraph headed “Additional Capital Contribution to Nanjing Merchants” of the “Letter from the Board” of the Circular. Further details of the registered capital and capital reserve of Nanjing Merchants before and after the Additional Capital Contribution are also set out in the same paragraph of the “Letter from the Board” of the Circular.

As illustrated from the table of the registered capital and capital reserve of Nanjing Merchants before and after the Additional Capital Contribution set out in the “Letter from the Board” of the Circular, it is noted that immediately after the completion of the Additional Capital Contribution, the enlarged registered capital of Nanjing Merchants shall be owned as to 49.00%, 9.66%, and 41.34% by CMSK, Happy City and Shenzhen Merchants, respectively. The aggregate indirect interest of the Company in Nanjing Merchants (held through Happy City and Shenzhen Merchants) shall remain unchanged at 51%.

Taking into account the above, the capital contribution is to be made on a pro rata basis in accordance with their respective shareholding interest and the Group’s aggregate interest in Nanjing Merchants will remain unchanged at 51% after the Additional Capital Contribution, we found this to be fair and reasonable.

4.2 Payment and funding of the Additional Capital Contribution

CMSK and Shenzhen Merchants shall make payment for their respective portion of the Additional Capital Contribution to Nanjing Merchants by stages before 31 December 2018. Details of the payment are set out in the paragraph headed “Payment of the Additional Capital Contribution” of the “Letter from the Board” of the Circular. As mentioned in the paragraph headed “2.1 Background of Nanjing Merchants” above, the Nanjing area has

approximately 911,154 sq. m. GFA under development. According to the Management, the properties projects under Nanjing Merchants are to be developed per schedule and not aware of any major disruption. Hence, we find the payment to be made by stages before 31 December 2018 (in particular, 50% before 28 February 2018 and the balance 50% before 31 December 2018) as acceptable and so long as the respective contribution are to be made in accordance with the 49:51 ratio.

According to the Management, the Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants under the Capital Increase Agreements shall be funded by the Group's internal resources. Having taking into account the factors set out in paragraph headed "5.3 Cash position" below, namely that (i) the Group had the bank balances and cash to meet its short term obligations; (ii) the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of the Circular; and (iii) the Additional Capital Contribution is not expected to have any immediate adverse impact to the cash position of the Group, we find the funding to be made by internal resources before 31 December 2018 as acceptable.

4.3 *Section summary*

Taking into the above factors, we are of the view that they are normal commercial terms and found them to be fair and reasonable.

5. Possible effects of the Additional Capital Contribution

5.1 *Accounting treatment*

Following the completion of the Additional Capital Contribution, Nanjing Merchants will continue to be owned as to 51% by the Company through Happy City and Shenzhen Merchants. Hence, Nanjing Merchants shall continue to be accounted for as a non wholly-owned subsidiary of the Company and its financial results shall continue to be consolidated into the accounts of the Group.

5.2 *Earnings*

Having considered the fact that (i) the bank balances and cash of the Group amounted to approximately RMB6.9 billion as at 30 June 2017 (as mentioned in the paragraph headed "1.1 Information of the Group" above) and remain at a similar amount as at 31 October 2017; and (ii) the Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants are expected to be financed by the Group's internal resources and by stages before 31 December 2018 (of which 50% of the Additional Capital Contribution will be paid before 28 February 2018 as mentioned in the paragraph headed "5.2 Payment and funding of the Additional Capital Contribution" above), the Additional Capital Contribution is not expected to

have any immediate adverse impact to the earnings of the Group. However, going forward, the effect of the Additional Capital Contribution on the Group's earning will depend on the profitability from the related projects.

5.3 Cash position

Having considered the bank balances and cash of the Group as at 30 September 2017 and the amount of debt due within one year or on demand as at 31 October 2017 (which was disclosed as current liabilities and as described in the paragraph headed "2. Indebtedness statement" in Appendix II to the Circular), we note that the Group had the bank balances and cash to meet its short term obligations.

Further, the Directors have stated that the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of the Circular in the paragraph headed "3. Working capital" in Appendix I to the Circular.

Also having considered the fact that (i) the bank balances and cash of the Group amounted to approximately RMB6.9 billion as at 30 June 2017 (as mentioned in the paragraph headed "1.1 Information of the Group" above) and remain at a similar amount as at 31 October 2017; and (ii) the Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants are expected to be financed by the Group's internal resources and by stages before 31 December 2018 (of which 50% of the Additional Capital Contribution will be paid before 28 February 2018 as mentioned in the paragraph headed "5.2 Payment and funding of the Additional Capital Contribution" above), the Additional Capital Contribution is not expected to have any immediate adverse impact to the cash position of the Group.

5.4 Net asset value

Having considered the fact that (i) the Group recorded net asset value of approximately RMB14.6 billion as at 30 June 2017, of which the bank balances and cash of the Group amounted to approximately RMB6.9 billion as at 30 June 2017 (as mentioned in the paragraph headed "1.1 Information of the Group" above) and remain at a similar amount as at 31 October 2017; and (ii) CMSK and Shenzhen Merchants shall make payment for their respective portion of the Additional Capital Contribution to Nanjing Merchants by stages before 31 December 2018 (of which 50% of the Additional Capital Contribution will be paid before 28 February 2018 as mentioned in the paragraph headed "5.2 Payment and funding of the Additional Capital Contribution" above). Hence, the Additional Capital Contribution is not expected to have any immediate adverse impact to the net asset value of the Group.

5.5 Gearing ratio

According to the Management, following the Additional Capital Contribution, the Group's with-interest debt ratio and gearing ratio will be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

decreased by 7% and 42% respectively, assuming the transaction had been completed on 31 December 2016. Accordingly, the capital structure is expected to be improved.

Having considered the fact that (i) the bank balances and cash of the Group amounted to approximately RMB6.9 billion as at 30 June 2017 (as mentioned in the paragraph headed “1.1 Information of the Group” above) and remain at a similar amount as at 31 October 2017; and (ii) the Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants are expected to be financed by the Group’s internal resources and by stages on or before 31 December 2018 (of which 50% of the Additional Capital Contribution will be paid before 28 February 2018 as mentioned in the paragraph headed “5.2 Payment and funding of the Additional Capital Contribution” above), the Additional Capital Contribution is not expected to have any immediate adverse impact to the gearing ratio of the Group.

5.6 Section summary

Having considered the above, it is noted there are either no change or no immediate material adverse impact to the Group as a result of the Additional Capital Contribution.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Capital Increase Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) the Capital Increase Agreements 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. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Capital Increase Agreements and the transactions contemplated thereunder 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 and permitted to undertake work as a sponsor. 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 about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

1. 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 and the unaudited financial results of the Group for the six months ended 30 June 2017 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>.
- (iv) for the six months ended 30 June 2017, on pages 42 to 88 of the interim report of the Company for the six months ended 30 June 2017 released on 12 September 2017 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0912/LTN20170912345.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 31 October 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:

	31 October 2017 RMB'000
Bank and other borrowings	4,774,037
Bonds payable	3,313,743
Convertible bonds	1,705,000
Loans from an intermediate holding company	5,926,076
Loans from non-controlling equity holders of subsidiaries of the Group	<u>3,471,026</u>
Total	<u><u>19,189,882</u></u>
Secured	172,000
Unsecured	<u>19,017,882</u>
Total	<u><u>19,189,882</u></u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	12,437,317
More than one year, but not exceeding two years, disclosed as non-current liabilities	5,864,391
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>888,174</u>
Total	<u><u>19,189,882</u></u>

Contingent Liabilities

As at 31 October 2017, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB4,316,000,000.

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 31 October 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 31 October 2017, the Group had cash and bank balances of approximately RMB7,012,000,000. 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 31 October 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 RMB430,000,000 having been pledged to secure bank borrowings amounting to approximately RMB172,000,000 granted to the Group as at 31 October 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 Capital Increase Agreements 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

Following the completion of the Additional Capital Contribution, the registered capital of Nanjing Merchants shall increase from RMB30,000,000 to RMB158,380,800, which shall be owned as to 51% by the Company through Happy City and Shenzhen Merchants. Nanjing Merchants shall continue to be accounted for as a non-wholly owned subsidiary of the Company and its financial results shall continue to be consolidated into the accounts of the Group. Upon the completion of the Additional Capital Contribution, the Group will continue to be principally engaged in the development, sale, lease, investment and management of properties in the PRC and the sale of electronic and electrical related products and sale of building related materials and equipment.

The Additional Capital Contribution of RMB5,100,000,000 to be made by Shenzhen Merchants under the Capital Increase Agreements shall be funded by the Group's internal resources. The Directors consider that the Group's contribution for the transactions contemplated under the Capital Increase Agreements shall not have any immediate material effect on the total assets, earnings and liabilities of the Group.

As disclosed in the Company's interim report for the period ended 30 June 2017, China has maintained a moderate to high-speed growth in its domestic economy, and the country has deepened the supply-side structural reform. China 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 impact of the adjustment policies will become more enormous for stabilising the demand of homes for self-occupation, and suppressing 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 can 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	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"). 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 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.

Long positions in underlying Shares of associated corporation

Number of Director	Nature of interest	Name of underlying Shares involved (Note)	Approximately percentage (%) in the associated corporation
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 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 the senior consultant of CMSK;
- d. Ms. Liu Ning, a non-executive Director, is the board secretary of CMSK;
- 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 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.

As at the Latest Practicable Date, saved as disclosed above, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

7. 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 Company within one year without payment of compensation, other than statutory compensation.

8. EXPERTS AND CONSENTS

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

Name	Qualifications
Altus Capital	a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Altus Capital 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, Altus Capital did not have 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, Altus Capital did not have any interest, direct or indirect, in any assets which since 31 December 2016, 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.

The letter from the Independent Financial Adviser dated 4 December 2017 is set out on pages 15 to 29 in this circular and was given for incorporation in this circular.

9. GENERAL

- a. The English text of this circular and the enclosed proxy form 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, Ugland 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.

10. 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. Capital Increase Agreements;
- b. a supplemental agreement to the Land Use Rights Grant Contract (as defined in item d below) dated 11 July 2017 entered into between Foshan Merchants Property Development Co., Ltd.* (佛山招商房地產有限公司) ("Foshan Merchants Property"), Foshan Bureau of Land Resource and City Planning* (廣東省佛山市國土資源和城鄉規劃局) ("Foshan Bureau") and Foshan Merchants Brilliant Property Development Co., Ltd.* (佛山招商光華房地產有限公司) ("Foshan Merchants Brilliant Property"), pursuant to which, among other things, Foshan Merchants Brilliant Property shall take up all the rights, benefits and obligations of the land use rights of the Foshan Land (as defined in item d below) in place of Foshan Merchants Property. For details of the supplemental agreement to the Land Use Rights Grant Contract, please refer to the circular of the Company dated 24 August 2017;
- c. a cooperation agreement dated 21 June 2017 entered into between Guangzhou Merchants Property Development Limited* (廣州招商房地產有限公司), Guangdong Poly Property Development Company Limited* (廣東保利房地產開發有限公司), and Shanghai Guanyi Corporate Management Company Limited* (上海冠懿企業管理有限公司) pursuant to which, among other things, Guangzhou Xinhe Property Development Company Limited* (廣州新合房地產有限責任公司) has been established in the PRC on 11 May 2017 specially to engage in the development of a piece of land known as Zengcheng 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. for a consideration of RMB4,350,000,000. For details of the cooperation agreement, please refer to the circular of the Company dated 24 August 2017;
- d. a land use rights grant contract (國有建設用地使用權出讓合同) (the "Land Use Rights Grant Contract") dated 16 June 2017 entered into between Foshan Merchants Property and Foshan Bureau pursuant to which, among other things, Foshan Merchants Property shall acquire a piece of land situated at Nan Jin Village Committee Lot, Sha Long Road, Jiujiang Town, Nanhai District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市南海區九江鎮沙龍路南金村委會地段) with a total site area of approximately 81,356.9

sq.m. (the “Foshan Land”) for a consideration of RMB2,015,060,000. For details of the Land Use Rights Grant Contract, please refer to the announcement of the Company dated 16 June 2017 and the circular of the Company dated 24 August 2017;

- e. 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 Dingtou 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;
- f. 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;

- g. 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 Real Estate Development Co., Limited* (保利江蘇房地產發展有限公司) (“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;
- h. 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;
- i. 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.

11. 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 21 December 2017:

- a. the memorandum and articles of association of the Company;
- b. the Capital Increase Agreements;
- c. the letter from the Board dated 4 December 2017, the text of which is set out on pages 5 to 12 of this circular;
- d. the letter from the Independent Board Committee dated 4 December 2017, the text of which is set out on pages 13 to 14 of this circular;
- e. the letter from the Independent Financial Adviser dated 4 December 2017, the text of which is set out on pages 15 to 29 of this circular;
- f. the annual reports of the Company for the years ended 31 December 2014, 31 December 2015 and 31 December 2016;
- g. the material contracts referred to in the section headed “Material contracts” in this appendix;
- h. a copy of this circular;
- i. a copy of the circular of the Company dated 24 August 2017 in relation to the acquisition of land use right in Foshan city, Guangdong province, the PRC;
- j. a copy of the circular of the Company dated 24 August 2017 in relation to the joint venture arrangement in respect of acquisition of the Zhengchang land; and
- k. a copy of the circular of the Company dated 14 July 2017 in relation to the formation of a joint venture company.

* *Unofficial English translation denotes for identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of China Merchants Land Limited (the “Company”) will be held at Macau Jockey Club (HK Clubhouse) 3/F, Shun Tak Centre, Merchant Tower, 200 Connaught Road Central, Hong Kong on Tuesday, 19 December 2017 at 11:30 a.m. for the purpose of transacting the following businesses:

ORDINARY RESOLUTION

To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

1. **“THAT:**

- (a) (i) the capital increase agreement dated 1 November 2017 (the “Original Capital Increase Agreement”) entered into between China Merchants Shekou Industrial Zone Holdings Company Limited (“CMSK”), Happy City Investments Limited (“Happy City”) and China Merchants Land (Shenzhen) Limited* (“Shenzhen Merchants”), a copy of the Original Capital Increase Agreement has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose; and (ii) the supplemental capital increase agreement dated 21 November 2017 (the “Supplemental Capital Increase Agreement”, together with the Original Capital Increase Agreement, the “Capital Increase Agreements”) entered into between CMSK, Happy City and Shenzhen Merchants, a copy of the Supplemental Capital Increase Agreement has been produced to the EGM marked “B” and signed by the chairman of the EGM for identification purpose and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (b) any director(s) of the Company be and is/are hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementations and completion of the Capital Increase

* Unofficial English translation denotes for identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Agreements and transactions contemplated thereunder; and/or (ii) any amendment, variation or modification of the Capital Increase Agreements and the transactions contemplated thereunder upon such terms and conditions as the board of directors of the Company may think fit.”

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

Hong Kong, 4 December 2017

Principal place of business:

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

Registered office:

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

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. 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. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch 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 holding the EGM or any adjournment thereof.
4. Shareholders are advised to read the circular of the Company dated 4 December 2017 which contains information concerning the resolutions to be proposed at the EGM.
5. The voting at the meeting will be taken by a poll.