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DISCLOSEABLE TRANSACTION: DEEMED DISPOSAL OF EQUITY INTEREST IN, AND SHAREHOLDER'S LOAN TO, A SUBSIDIARY

COOPERATION AGREEMENT

Reference is made to the announcement of the Company dated 31 July 2014 regarding, among other things, the deemed disposals contemplated under the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement.

The Board is pleased to announce that on 22 August 2014, Merchants Nanjing, a non wholly-owned subsidiary of the Company, entered into the (i) Nanjing G09 Land Cooperation Agreement with Shenzhen Luhong, an indirect subsidiary of Ping An Real Estate, pursuant to which, among other things, Merchants Nanjing and Shenzhen Luhong will subscribe for their respective portions of the capital increase in the registered capital of Nanjing Ningsheng and Shenzhen Luhong will provide a shareholder's loan of RMB67.74 million to Nanjing Ningsheng for the purpose of repaying part of the shareholder's loan previously made by Merchants Nanjing; and subsequently (ii) the Capital Increase Agreement with Shenzhen Luhong pursuant to which both parties have agreed to contribute to the additional registered capital in the capital increase of Nanjing Ningsheng and the amount of shareholder's loan to be provided by Shenzhen Luhong and repaid to Merchants Nanjing shall increase to RMB90.16 million.

Upon completion of the capital increase and the provision of the shareholder's loan by Shenzhen Luhong contemplated under the two agreements, (i) the registered capital of Nanjing Ningsheng will increase from RMB30 million to RMB60 million and the equity interest in Nanjing Ningsheng will be held as to 51% by Merchants Nanjing and 49% by Shenzhen Luhong and (ii) Merchants Nanjing and Shenzhen Luhong will provide shareholders' loans to Nanjing Ningsheng in proportion to their shareholding in Nanjing Ningsheng. As a result, there will be a net cash inflow amounted to approximately RMB119 million to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Nanjing Ningsheng is wholly-owned by Merchants Nanjing. Upon completion of the Nanjing G09 Deemed Disposal, the equity interest of Merchants Nanjing in Nanjing Ningsheng will be diluted to 51%. Therefore, the transactions contemplated under the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement constitutes a deemed disposal of the Group's equity interest in Nanjing Ningsheng under Rule 14.29 of the Listing Rules.

The Nanjing G09 Deemed Disposal itself does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, since Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement were entered into with Shenzhen Luhong which is the investor under Nanjing G14 Land Cooperation Agreement, and which wholly owns Shenzhen Lianxin, the investor under the Guangzhou Panyu Land Cooperation Agreement, and Shenzhen Luhong and Shenzhen Lianxi are both indirectly controlled by Ping An Real Estate, the transactions contemplated under Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement, Nanjing G14 Land Cooperation Agreement and Guangzhou Panyu Land Cooperation Agreement will be considered on an aggregate basis as required under Rule 14.22 and Rule 14.23 of the Listing Rules. Since the relevant applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%, the deemed disposals contemplated under the said agreements constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

Upon completion of the Nanjing G09 Deemed Disposal, Nanjing Ningsheng will remain a subsidiary of the Company.

Since Nanjing Xingsheng and Guangzhou Yi Yun on an aggregate basis constitute insignificant subsidiaries of the Company as defined in Chapter 14A of the Listing Rules, Shenzhen Luhong, Shenzhen Lianxin and Ping An Real Estate are not connected persons of the Company only by virtue of their respective relationships with Nanjing Xingsheng and Guangzhou Yi Yun as a result of the Deemed Disposals. Therefore, the entering into of the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement by the Group and the Nanjing G09 Deemed Disposal contemplated thereunder do not constitute connected transaction under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 July 2014 (“**Announcement**”) regarding, among other things, the deemed disposals contemplated under the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

The Board is pleased to announce that on 22 August 2014, Merchants Nanjing, a non wholly-owned subsidiary of the Company, entered into the (i) Nanjing G09 Land Cooperation Agreement with Shenzhen Luhong pursuant to which, among other things, Merchants Nanjing and Shenzhen Luhong will subscribe for their respective portions of the capital increase in the

registered capital of Nanjing Ningsheng, and Shenzhen Luhong will provide a shareholder's loan of RMB67.74 million to Nanjing Ningsheng for the purpose of repaying part of the shareholder's loan previously made by Merchants Nanjing, and subsequently (ii) the Capital Increase Agreement with Shenzhen Luhong pursuant to which both parties have agreed to contribute to the additional registered capital in the capital increase of Nanjing Ningsheng and the amount of shareholder's loan to be provided by Shenzhen Luhong and repaid to Merchants Nanjing shall increase to RMB90.16 million. Since the Capital Increase Agreement was entered into between the same parties regarding the same subject matters as those of the Nanjing G09 Land Cooperation Agreement, details of both agreements are summarized below as one single agreement after giving effect to the terms agreed under the Capital Increase Agreement.

NANJING G09 LAND COOPERATION AGREEMENT AND CAPITAL INCREASE AGREEMENT

Date

22 August 2014

Parties

- (a) Merchants Nanjing, a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company owned as to 51% equity interest by Happy City Investments Limited, a wholly-owned subsidiary of the Company. The principal business of Merchants Nanjing is property development; and
- (b) Shenzhen Luhong, a company established in the PRC with limited liability. The principal business of Shenzhen Luhong is investment management. Shenzhen Luhong is the investor under the Nanjing G14 Land Cooperation Agreement. To the best of the Directors' knowledge after due enquiry, (i) Shenzhen Luhong is indirectly controlled by Ping An Real Estate; (ii) Shenzhen Luhong wholly owns Shenzhen Lianxin, the investor under the Guangzhou Panyu Land Cooperation Agreement and (iii) save for the said relationships among Shenzhen Luhong and the Group, Shenzhen Luhong and Ping An Real Estate and their ultimate beneficial owners are all Independent Third Parties.

Basic information of Nanjing G09 Land Project and Nanjing Ningsheng

As announced by the Company on 9 April 2014, Merchants Nanjing had successfully bided the Nanjing G09 Land, i.e., a piece of land situated at south of 12th Xue Road and east of Wushi Road, High-tech Park, Jiangning District, Nanjing (南京市江寧區高新園學十二路以南、務實路以東) for a total consideration of RMB305 million on 28 March 2014. The land has a total site area of 37,538 sq. m., its permitted plot ratio is between 1.0 to 1.5 and is designated for Type 2 housing purpose with a term of usage for 70 years. The total consideration for acquisition of the Nanjing G09 Land was RMB305 million. As at the date of this announcement, an aggregate of RMB244 million out of the total land acquisition consideration had been settled by applying the aggregate of RMB214 million shareholder's loan provided by Merchants Nanjing to Nanjing Ningsheng and the RMB30 million registered capital of Nanjing Ningsheng.

Nanjing Ningsheng is a project company specifically established in the PRC on 24 April 2014 for the construction and development of the real estate project on the Nanjing G09 Land. Nanjing Ningsheng currently has a registered capital of RMB30 million and is held as to 100% by Merchants Nanjing.

According to its unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC, Nanjing Ningsheng's unaudited profit before and after taxation and extraordinary items for the period since its incorporation date up to 31 July 2014 was approximately RMB15,000. The unaudited consolidated total assets value and the net asset value of Nanjing Ningsheng as at 31 July 2014 according to its unaudited management accounts were RMB318 million and RMB30 million respectively.

Investment by Shenzhen Luhong by way of capital increase and shareholder's loan

Pursuant to the terms of the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement, the registered capital of Nanjing Ningsheng will increase from RMB30 million to RMB60 million and Shenzhen Luhong shall invest 49% of the land acquisition consideration for acquisition of the Nanjing G09 Land already paid by Nanjing Ningsheng, i.e., RMB119.56 million, through subscribing for the additional registered capital in the capital increase of Nanjing Ningsheng and the provision of shareholder's loan by Shenzhen Luhong to Nanjing Ningsheng in proportion to its equity interest in Nanjing Ningsheng.

(a) Capital increase in Nanjing Ningsheng

The registered capital of Nanjing Ningsheng will increase from RMB30 million to RMB60 million. The subscription of the additional registered capital and the percentage of equity interest in Nanjing Ningsheng of Merchants Nanjing and Shenzhen Luhong before and after the capital increase are set out below:

	Capital contribution before capital increase RMB (million)	% of equity interest before completion of capital increase %	Contribution to the additional registered capital in cash RMB (million)	Total capital contribution after completion of capital increase RMB (million)	% of equity interest after completion of capital increase %
Merchants Nanjing	30	100	0.6	30.6	51
Shenzhen Luhong	–	–	29.4	29.4	49
Total	30	100	30	60	100

(b) Shareholder's loan to Nanjing Ningsheng

Shenzhen Luhong shall provide a shareholder's loan of RMB90.16 million ("**Shenzhen Luhong G09 Shareholder's Loan**") to Nanjing Ningsheng which shall be fully applied to repay part of the shareholder's loan provided by Merchants Nanjing to Nanjing Ningsheng. As a result, the shareholder's loan provided by Merchants Nanjing to Nanjing Ningsheng will be reduced from RMB214 million to RMB123.84 million.

Nanjing G09 Financing Reimbursement Cost

When Shenzhen Luhong pays the Shenzhen Luhong G09 Shareholder's Loan, it shall also make a reimbursement of financing costs ("**Nanjing G09 Financing Reimbursement Cost**") to Merchants Nanjing which shall be calculated as follows:

"Nanjing G09 Financing Reimbursement Cost"

$$\begin{aligned} &= (\text{Shenzhen Luhong G09 Shareholder's Loan} + \text{Shenzhen Luhong's contribution to the additional registered capital}) \times \text{PBOC Prevailing Interest Rate} \times D/360 \\ &= (\text{RMB90.16 million} + \text{RMB29.4 million}) \times \text{PBOC Prevailing Interest Rate} \times D/360 \\ &= \text{RMB119.56 million} \times \text{PBOC Prevailing Interest Rate} \times D/360 \end{aligned}$$

"D"

$$= \text{number of days commencing from and inclusive of the day of payment of the consideration for acquisition of the Nanjing G09 Land by Merchants Nanjing up to but exclusive of the day of repayment of the amount equivalent to Shenzhen Luhong G09 Shareholder's Loan to Merchants Nanjing}$$

Conditions precedent to Nanjing G09 Land Cooperation Agreement

It was a condition precedent to the obligations of the parties under the Nanjing G09 Land Cooperation Agreement that (i) Merchants Nanjing has completed its internal approval and filing procedures with China Merchants Group Limited and (ii) both parties agree to accept the results of valuation of the assets of Nanjing Ningsheng carried out by an independent professional valuer in writing.

As at the date of this agreement, the above conditions precedent have already been satisfied and the parties will proceed to completion of the Nanjing G09 Deemed Disposal by 15 September 2014.

The contribution to the additional registered capital of Nanjing Ningsheng by both parties, the provision of the Shenzhen Luhong G09 Shareholder's Loan and the payment of the Nanjing G09 Financing Reimbursement cost by Shenzhen Luhong will all be satisfied in cash on completion.

REASONS FOR AND BENEFITS OF THE NANJING G09 DEEMED DISPOSAL

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

As a result of the Nanjing G09 Deemed Disposal, the total investment of the Group in Nanjing G09 Land Project will be reduced by an aggregate amount of approximately RMB118.96 million. The decrease in total investment as a result of the Nanjing G09 Deemed Disposal and the cash inflow to be generated by the Nanjing G09 Land Project to the Group are expected to increase the financial flexibility of the Group, which would enhance the Group's capability in seizing future development and investment opportunities. In addition, the investment of Shenzhen Luhong as contemplated under the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement is in line with and forms part of the strategic cooperation with Ping An Real Estate as mentioned in the Announcement.

The terms of the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement have been arrived at after arm's length negotiations between the parties. The respective amounts of contribution to be made by the parties under the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement were agreed between both parties with reference to their respective proportion of equity interest to be held by them in Nanjing Ningsheng after completion of the capital increase.

The Directors are of the view that the terms of the Nanjing G09 Land Cooperation Agreement, the Capital Increase Agreement and the Nanjing G09 Deemed Disposal contemplated thereunder are fair and reasonable and in the interest of the Company and Shareholders as a whole.

THE FINANCIAL IMPACT OF THE NANJING G09 DEEMED DISPOSAL ON THE COMPANY

Upon completion of the Nanjing G09 Deemed Disposal, Nanjing Ningsheng will remain a subsidiary of the Company. Accordingly, no expected gain or loss will be accrued to the Company as a result of the Nanjing G09 Deemed Disposal.

Upon completion of this transaction, there will be a net cash inflow amounted to approximately RMB119 million to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Nanjing Ningsheng is wholly-owned by Merchants Nanjing. Upon completion of the Nanjing G09 Deemed Disposal, the equity interest of Merchants Nanjing in Nanjing Ningsheng will be diluted to 51%. Therefore, the transactions contemplated under the Nanjing G09 Land Cooperation Agreement constitutes a deemed disposal of the Group's equity interest in Nanjing Ningsheng under Rule 14.29 of the Listing Rules.

The Nanjing G09 Deemed Disposal itself does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, since Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement were entered into with Shenzhen Luhong which is the investor under Nanjing G14 Land Cooperation Agreement, and which wholly owns Shenzhen Lianxin, the investor under the Guangzhou Panyu Land Cooperation Agreement, and Shenzhen Luhong and Shenzhen Lianxin are both indirectly controlled by Ping An Real Estate, the transactions contemplated under Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement, Nanjing G14 Land Cooperation Agreement and Guangzhou Panyu Land Cooperation Agreement will be considered on an aggregate basis as required under Rule 14.22 and Rule 14.23 of the Listing Rules. Since the relevant applicable percentage ratios (defined under the Listing Rules) exceed 5% but are less than 25%, the deemed disposals contemplated under the said agreements constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

As a result of the transactions under the Nanjing G14 Land Cooperation Agreement, Shenzhen Luhong will become a substantial shareholder of Nanjing Xingsheng in which Shenzhen Luhong will hold 19% equity interest. As a result of the transactions under the Guangzhou Panyu Land Cooperation Agreement, Shenzhen Lianxin will become a substantial shareholder

of Guangzhou Yi Yun in which Shenzhen Lianxin will hold 49% equity interest. Shenzhen Luhong and Shenzhen Lianxin are both controlled by Ping An Real Estate. Since Nanjing Xingsheng and Guangzhou Yi Yun on an aggregate basis constitute insignificant subsidiaries of the Company as defined in Chapter 14A of the Listing Rules, Shenzhen Luhong, Shenzhen Lianxin and Ping An Real Estate are not connected persons of the Company only by virtue of their respective relationships with Nanjing Xingsheng and Guangzhou Yi Yun as a result of the Deemed Disposals. Therefore, the entering into of the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement by the Group and the Nanjing G09 Deemed Disposal contemplated thereunder do not constitute connected transaction under Chapter 14A of the Listing Rules.

DEFINITIONS

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

- “Capital Increase Agreement” An agreement dated 22 August 2014 entered into between Merchants Nanjing and Shenzhen Luhong subsequent to the entering into of the Nanjing G09 Land Cooperation Agreement pursuant to which both parties shall subscribe to the additional registered capital in the capital increase of Nanjing Ningsheng and the shareholder’s loan to be provided by Shenzhen Luhong pursuant to the Nanjing G09 Land Cooperation Agreement shall increase to RMB90.16 million which shall be fully applied to settle part of the shareholder’s loan provided by Merchants Nanjing
- “Nanjing G09 Deemed Disposal” the transactions contemplated under the Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement including the deemed disposal of 49% equity interest in Nanjing Ningsheng to Shenzhen Luhong as a result of capital increase, provision of the Shenzhen Luhong G09 Shareholder’s Loan for repayment of part of the shareholder’s loan made by Merchants Nanjing to Nanjing Ningsheng and the payment of Nanjing G09 Financing Reimbursement Cost by Shenzhen Luhong to Merchants Nanjing
- “Nanjing G09 Land” a piece of land situated at south of 12th Xue Road and east of Wushi Road, High-tech Park, Jiangning District, Nanjing (南京市江寧區高新園學十二路以南、務實路以東) with a total site area of 37,538 sq. m.

“Nanjing G09 Land
Cooperation Agreement”

a cooperation agreement dated 22 August 2014 entered into between Merchants Nanjing and Shenzhen Luhong in respect of, among other things, the subscription of additional registered capital in and provision of shareholder’s loans to Nanjing Ningsheng, as a result of which Shenzhen Luhong will be interested in 49% equity interest in Nanjing Ningsheng and the equity interest of Merchants Nanjing in Nanjing Ningsheng will be diluted to 51%

“Nanjing Ningsheng”

南京招商寧盛房地產有限公司 (Nanjing Merchants Ningsheng Property Development Limited*), a company established in the PRC for engaging in the construction and development of the real estate property project on the Nanjing G09 Land

By order of the Board of Directors of
China Merchants Land Limited
Mr. He Jianya
Chairman

Hong Kong, 22 August 2014

As at the date of this announcement, the Board comprises Dr. So Shu Fai, Mr. Xian Yaoqiang, Mr. Liu Zhuogen and Mr. Yu Zhiliang as Executive Directors; Mr. He Jianya, Ms. Wu Zhenqin and Ms. Liu Ning as Non-executive Directors and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi as Independent Non-executive Directors.

* *Unofficial English translation denotes for identification purpose only*