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**CONTINUING CONNECTED TRANSACTIONS:
OPERATION AGREEMENT AND
PROPERTY MANAGEMENT AGREEMENT**

OPERATION AGREEMENT

The Board is pleased to announce that on 29 December 2015, the Company entered into the Operation Agreement with CMPD pursuant to which the Group will provide project operational support services to CMPD, including but not limited to taking charge of land acquisition, project development and sales, for a fixed term of 3 years commencing from 1 January 2016 up to 31 December 2018 (both days inclusive). CMPD is the controlling shareholder of the Company holding approximately 74.35% of the issued share capital of the Company.

PROPERTY MANAGEMENT MASTER AGREEMENT

On the same date, the Company also entered into the Property Management Master Agreement with Merchants Property Management pursuant to which Merchants Property Management, a wholly-owned subsidiary of CMPD, will provide property management services to the Group's PRC operating subsidiaries, for a fixed term of 3 years commencing from 1 January 2016 up to 31 December 2018 (both days inclusive).

LISTING RULES IMPLICATIONS

Since each of CMPD and Merchants Property Management is a connected person of the Company under the Listing Rules, the transactions contemplated under the Operation Agreement and Property Management Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since none of the relevant applicable percentage ratios (defined under the Listing Rules) of the proposed annual caps of the transactions under the Operation Agreement and the proposed annual caps of the transactions under the Property Management Master Agreement exceeds 5%, the continuing connected transactions under the Operation Agreement and the Property Management Master Agreement are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

As disclosed in the Company's circular dated 10 October 2013 ("**Circular**"), on 19 June 2013, the Group has entered into the Existing Operation Agreement and the Existing Property Management Master Agreement with CMPD and Merchants Property Management respectively, pursuant to which (i) the Group will provide project operational support services to CMPD for a fee, including but not limited to taking charge of land acquisition, project development and sales, under the Existing Operation Agreement and (ii) Merchants Property Management will provide property management services to the Company's PRC operating subsidiaries on a non-exclusive basis for a fee, for a fixed term commencing from 1 November 2013 up to 31 December 2015. The relevant parties to the said agreements intend to continue the continuing connected transactions thereunder upon the expiry of the said agreements in accordance with the respective terms of the Operation Agreement and the Property Management Master Agreement subject to the compliance with the Listing Rules. Set out below are the summaries of the principal terms of the Operation Agreement and the Property Management Master Agreement.

OPERATION AGREEMENT

Date

29 December 2015

Parties

- (a) The Company; and
- (b) CMPD, a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000024 (A shares); 200024 (B share)) and Singapore Exchange (stock code: C03). CMPD, through its subsidiaries, is principally engaged in real estate development and property management. CMPD is one of the controlling shareholders of the Company indirectly holding approximately 74.35% of the issued share capital of the Company, which is in turn controlled by China Merchants Group Co., Ltd., a state-owned conglomerate regulated by the State-Owned Assets Supervision and Administration Commission. Accordingly, CMPD and its ultimate controllers are connected persons of the Company under Chapter 14A of the Listing Rules.

Duration of the Operation Agreement

A fixed term of 3 years commencing from 1 January 2016 up to 31 December 2018 (both days inclusive) which may be early terminated by either party by giving not less than 3 months' written notice to the other party, provided that unless there is a serious breach of contract by the Company, CMPD should not terminate the Operation Agreement during the term of the Operation Agreement.

Subject matter

Under the Operation Agreement, the Group has full discretion to deal with the operational matters of the Operation Transitional Projects managed under the Operation Agreement, including but not limited to:

- application for approvals in relation to project development;
- project construction management;
- cost management;
- financial management;
- planning for construction period, sale period, marketing events and pricing;
- completion inspection and property delivery; and
- archive management.

It is agreed by both parties that the Company will be the sole service provider for the projects managed under the Operation Agreement.

Basis of determining the consideration

CMPD will pay a pre-agreed management fee to the Company for providing the operational support services. Such management fee will be determined on an arm's length basis, taking into account the estimated costs and a proper level of profits for providing the operational support services. It will be calculated with reference to 1% to 1.5% of the estimated annual pre-sale amount of each project operated and managed under the Operation Agreement. The range of 1% to 1.5% is determined with reference to the rate of management fees charged to other Independent Third Party by the Group for providing similar operational support services to CMPD, which was also determined on normal commercial terms at arm's length.

It is agreed by both parties that the price of each transaction under the Operation Agreement will be determined by taking into account the development scale and cycle of the specific project. Generally speaking, the rate of management fees is lower for larger scale project due to the synergy by integrating the staffing and services for different phases of the specific large scale project. The rate of management fees is higher for projects in their earlier development cycle than those in their later development cycle, because the former will involve more complicated operation and management work, including positioning and planning of the project, preparation for the relevant approvals and permits, and selection of suppliers and contractors, etc.

Specifically, the Company would propose the following rates in principle for the relevant Operation Transitional Projects for the following reasons:

- (i) 1% of the pre-sale amount for Evian International, because its development has already been completed in November 2015 and is currently in the sales period, which will require limited operational support services;
- (ii) 1% of the pre-sale amount for China Merchants Bay City, because its development has been completed in September 2013, and is currently at the end of its sale period, which will only require limited operational support services; and
- (iii) 1% of the pre-sale amount for China Merchants Garden City, because it will be developed into three phases and development of phase two has already started in February 2013. Its development period is expected to last until 2017 and will only require relatively limited operational support services.

CMPD or its subsidiaries and the Company or its subsidiaries will enter into a specific operational support service agreement in relation to each Operation Transitional Project, in which details of the operational support services will be stipulated more specifically.

The management fees for each transaction under the Operation Agreement will be paid on a quarterly basis and will be settled in cash.

Historical transaction amounts

Since the Existing Operation Agreement coming into effect on 1 November 2013 up to the present, the Group had been providing the operation and management services in respect of the Operation Transitional Project to CMPD in the ordinary and usual course of business of the Group. The aggregate amount of such operational support services provided by the Group to CMPD were approximately RMB1,866,000 from 1 November 2013 to 31 December 2013, approximately RMB6,591,000 for the year ended 31 December 2014 and approximately RMB10,237,000 for the 11-month period ended 30 November 2015, respectively.

Proposed Annual Caps

The Company proposes to adopt the following annual caps for the transactions under the Operation Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

Transaction	Proposed Annual Caps for the year ending 31 December		
	2016	2017	2018
	<i>(RMB' million)</i>		
Maximum aggregate annual transaction amount to be paid by CMPD to the Company	13	15	14

In arriving at the above annual caps, the Directors have taken into account (i) the estimated annual pre-sale amount for the three Operation Transitional Projects in each of the 3 years ending 31 December 2018, which are approximately RMB1.3 billion, RMB1.45 billion and RMB1.35 billion; and (ii) these amounts multiplied by a rate of 1% which is based on the development stage of the projects to be managed under the Operation Agreement.

PROPERTY MANAGEMENT AGREEMENT

Date

29 December 2015

Parties

- (a) The Company;
- (b) Merchants Property Management., a wholly-owned subsidiary of CMPD and principally engaged in the provision of property management services.

Duration of the Operation Agreement

A fixed term of 3 years commencing from 1 January 2016 up to 31 December 2018 (both days inclusive) which may be early terminated by either party by giving not less than 3 months' written notice to the other party.

Subject matter

Under the Property Management Master Agreement, the following property management services will be provided to the Group:

- (i) general property management services, including security, cleaning services, maintenance of the public area of the building and the maintenance of the equipment, as well as management of the parking lot, etc.;
- (ii) sales-related property management services, including reception services and the management of the sample apartments, etc.; and
- (iii) procuring and administering the supply and installation of property intelligent system and devices.

The Company has the right to terminate the Property Management Master Agreement if Merchants Property Management breaches its obligation in any material respect.

Basis of determining the consideration

The consideration to be paid by the Group to Merchants Property Management under the Property Management Master Agreement will include the following fees:

For general property management and sales-related property management services

- (i) labour costs, necessary material costs, cleaning costs, water and electricity costs, etc.;
- (ii) the costs incurred by temporary management tasks requested by the Company in writing, which mainly include but not limited to management and reception services for any marketing events organised by the sales office of the property project;
- (iii) commission for the management service, which will be determined by the Company in accordance with market practice and the actual request, and will generally be 12% of the total amount set forth in items (i) and (ii) above. Such rate can be adjusted at the discretion of the Company based on the performance of Merchants Property Management up to 20% upward or downward;

For property intelligent systems related services

- (iv) costs of necessary major materials and devices and ancillary materials procured by Merchants Property Management with labour, storage and management fees plus a reasonable profit and profit tax;
- (v) the costs of labour, ancillary materials, storage and management (excluding profit and tax) (“**Miscellaneous Costs**”) to be incurred by Merchants Property Management shall be estimated on the basis of: (a) in relation to devices and equipment, Miscellaneous Costs shall be equal to 22% of the total costs of major devices and equipment; and (b) in relation to wires and strings, Miscellaneous Costs shall be equal to 40% of the total costs of wires and strings; and
- (vi) reasonable profit shall be equal to 5% of the total fees payable to Merchants Property Management consisting of the costs of major materials and devices and ancillary materials and the Miscellaneous Costs. The amount of taxes shall be determined based on actual amounts of profit taxes payable by Merchants Property Management in accordance with the local laws and regulations.

For the fees under item (i) above, Merchants Property Management shall submit annually a proposed budget for the Company’s review and approval. The proposed budget should set out a detailed staffing plan, the corresponding salary standard and the proposed maximum management fee per square meter of the relevant property project (which will be reviewed and assessed based on the specific positioning of each property project, with reference to the rate of management fee charged to other similar properties in the same area, and to the rate of management fees charged by other Independent Third Party property management company for providing similar property management services), which are also determined on normal commercial terms at arm’s length. Once the budget is approved by the Company, Merchants Property Management shall carry out the property management services within such budget.

For the fees under item (ii) above, the Company will fix a maximum amount in its written request for the relevant temporary management task each time, taking into account the specific nature and scale of and resources needed for such temporary management task. Merchants Property Management shall control the costs incurred accordingly.

In respect of items (iii) to (vi) above, the parties will review individual fee items on a yearly basis and Merchants Property Management shall conduct an open tender every year to invite quotations from its suppliers of the necessary major materials and devices and major ancillary materials based on the standards, brands and grades required by the Group for individual projects and report the tendered prices of the selected suppliers to the Group to enable the Group to review and agree on the fees of necessary major materials and devices and major ancillary materials for the following year.

In respect of the procurement of supply and installation of property intelligent system and devices, the Group has the right to invite quotations from other contractors and has the sole discretion to decide whether to allocate such works to Merchants Property Management for individual real estate projects. Detailed terms including types and quantities of devices and systems required for individual real estate projects, specifications and quality standards of the works will be governed by individual property management agreements entered into between the relevant PRC Operating Subsidiaries and Merchants Property Management which shall follow the terms and principles under the Property Management Master Agreement.

The property management fees for each transaction under the Property Management Master Agreement will be paid on a monthly basis and will be settled in cash.

Historical transaction amounts

Since the Existing Property Management Master Agreement coming into effect on 1 November 2013 up to the present, the Group had been receiving property management services provided by Merchants Property Management in the ordinary and usual course of business of the Group. The aggregate amount of such property management services provided by Merchants Property Management to the Group amounted to approximately RMB2,476,000 from 1 November 2013 to 31 December 2013, approximately RMB69,577,000 for the year ended 31 December 2014 and approximately RMB43,514,000 the 11-month period ended 30 November 2015, respectively.

Proposed Annual Caps

The Company proposes to adopt the following annual caps for the transactions under the Property Management Master Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

Transaction	Proposed Annual Caps for the year ending 31 December		
	2016	2017	2018
	<i>(RMB' million)</i>		
Maximum aggregate annual transaction amount to be paid by the Group to Merchants Property Management under the Property Management Master Agreement	<u>110</u>	<u>110</u>	<u>110</u>

In arriving at the above annual caps, the Directors have taken into account (i) the historical and existing transactions amount for the services provided by Merchants Property Management. to the Company's PRC operating subsidiaries; and (ii) the number of projects to be completed and the corresponding needs for property management services under the Property Management Master Agreement in the three consecutive years ending 31 December 2016, 2017 and 2018.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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.

Operation Agreement

As disclosed in the Circular, in the Company's acquisition of the Target Group from CMPD, a few of the projects owned by CMPD, namely, Evian International in Foshan, Donghui City in Guangzhou, China Merchants Bay City and China Merchants Garden City in Chongqing, would continue to be owned and controlled by CMPD after completion of the acquisition. The Company and CMPD entered into the Existing Operation Agreement pursuant to which the Group will operate and manage the Operation Transitional Projects, namely, Evian International, China Merchants Bay City and China Merchants Garden City (Donghui City in Guangzhou was not included as it was operated and managed by an independent third party), until their completion and sale. These Operation Transitional Projects will continue to be owned by CMPD Group and the revenue derived from them will belong to CMPD Group.

These Operation Transitional Projects are expected to be completed and sold by CMPD. During the period before they are completed and sold, but subject to the fixed term of the Existing Operation Agreement, they have been operated and managed by the Group for a fee, and upon the expiry of the term of the Existing Operation Agreement, the Group and CMPD intend that the projects will continue to be operated and managed by the Group for a fee. Therefore, the Company and CMPD have entered into the Operation Agreement to set out the terms of such transactions.

Property Management Master Agreement

As disclosed in the Circular, in the ordinary and usual course of business of the Group's PRC operating subsidiaries, based on the terms and conditions of the Existing Property Management Master Agreement, they have entered into individual property management agreements from time to time with Merchants Property Management. Pursuant to the individual property management agreements, Merchants Property Management provides property management services to the Group's PRC operating subsidiaries on a non-exclusive basis. The parties have agreed that Merchants Property Management will continue to provide property management services to the Group's PRC operating subsidiaries after the expiry of the Existing Property Management Master Agreement on 31 December 2015. Therefore, the parties have entered into the Property Management Master Agreement to set out the terms of the transactions.

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

LISTING RULES IMPLICATIONS

CMPD is the controlling shareholder of the Company and is indirectly interested in approximately 74.35% of the issued share capital of the Company. Merchants Property Management is a wholly-owned subsidiary of the CMPD. Since each of CMPD and Merchants Property Management is a connected person of the Company under the Listing Rules, the transactions contemplated under the Operation Agreement and the Property Management Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since none of the relevant applicable percentage ratios (defined under the Listing Rules) of the proposed annual caps of the transactions under the Operation Agreement and the proposed annual caps of the transactions under the Property Management Master Agreement exceeds 5%, the continuing connected transactions under the Operation Agreement and the Property Management Master Agreement are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“CMPD”	China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司), a company established in the PRC with limited liability on 19 September 1990, and is one of the controlling shareholders of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000024 (A share); 200024 (B share)) and Singapore Exchange (stock code: C03), together with its subsidiaries, “CMPD Group”
“Company”	China Merchants Land Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 978)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“Existing Management Master Agreement”	a property management agreement dated 19 June 2013 entered into between the Company and Merchants Property Management in respect of, among other things, the provision of certain property management services by Merchants Property Management to the Group for a fixed term of 3 years commencing from 1 November 2013 until 31 December 2015 (both days inclusive)
“Existing Operation Agreement”	an operation support services framework agreement dated 19 June 2013 entered into between the Company and CMPD in respect of, among other things, the provision of project operational support services by the Group to CMPD for a fixed term of commencing from 1 November 2013 until 31 December 2015 (both days inclusive)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party not connected with the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Merchants Property Management”	Merchants Property Management Co., Ltd. (招商局物業管理有限公司), a company established in the PRC and wholly-owned by CMPD
“Operation Agreement”	an operation support services framework agreement dated 29 December 2015 entered into between the Company and CMPD in respect of, among other things, the provision of project operational support services by the Group to CMPD for a fixed term of 3 years commencing from 1 January 2016 until 31 December 2018 (both days inclusive)
“Operation Transitional Projects”	Evian International in Foshan, Donghui City in Guangzhou, China Merchants Bay City and China Merchants Garden City in Chongqing, being the real estate development projects continue to be owned by CMPD Group after the completion of acquisition of the Target Group by the Company on 1 November 2013

“PRC”	the People’s Republic of China which, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Management Master Agreement”	a property management agreement dated 29 December 2015 entered into between the Company and Merchants Property Management. in respect of, among other things, the provision of certain property management services by Merchants Property Management to the Group for a fixed term of 3 years commencing from 1 January 2016 until 31 December 2018 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Group”	Harpen Company Limited, Converge Holdings Limited, Sino Action Investments Limited and Happy City Investments Limited and their respective subsidiaries acquired by the Company pursuant to the share purchase agreement dated 24 April 2013 entered into between the Company, Eureka Investment Company Limited and CMPD, as amended and supplemented on 22 September 2013
“%”	per cent.

By order of the Board of Directors of
China Merchants Land Limited
Ms. Wu Zhenqin
Chairman

Hong Kong, 29 December 2015

As at the date of this announcement, the Board comprises Dr. So Shu Fai and Mr. Yu Zhiliang as Executive Directors; 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.