

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION
TENANCY AGREEMENT**

THE TENANCY AGREEMENT

On 7 April 2017, Merchants Guangzhou (an indirect wholly-owned subsidiary of the Company) as landlord and Merchants – Colisée Senior Care as tenant entered into the Tenancy Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Merchants – Colisée Senior Care is an indirect non-wholly owned subsidiary of China Merchants Shekou which is the intermediate holding company of the Company. Accordingly, the Tenancy Agreement entered into by Merchants Guangzhou and Merchants – Colisée Senior Care, and the transaction contemplated thereby constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the duration of the Tenancy Agreement exceeds three years upon automatic renewal, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged Altus as the independent financial adviser to explain why a longer period for the Tenancy Agreement is required and to confirm whether it is a normal business practice for the Tenancy Agreement to be of such a duration.

As the maximum annual rental receivable under the Tenancy Agreement is not expected to exceed 5% of the applicable percentage ratios calculated under the Listing Rules, the transaction contemplated under the Tenancy Agreement is only subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 7 April 2017, Merchants Guangzhou (an indirect wholly-owned subsidiary of the Company) as landlord entered into the Tenancy Agreement with Merchants – Colisée Senior Care as tenant for the lease of the Property for a rental term of three years subject to automatic renewal for three times, the aggregate of which will be ten years.

THE TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement is set out as follows:

Date of Signing:	7 April 2017
Parties:	(i) Merchants Guangzhou as landlord; and (ii) Merchants – Colisée Senior Care as tenant
Premises:	A property located at Block 12, No. 139, Dongyi Road, Donghuan Street, Panyu District, the Hills Ecool, Guangzhou City, Guangdong Province, the PRC
Area of the Premises:	Overground indoor area being approximately 8,330.6 square metres Overground outdoor area being approximately 4,064 square metres
Term:	Subject to governmental approval being obtained on the completion of construction of the Property, three years commencing from the Delivery Date for the first term and is automatically renewed for another three terms. Each of the first three terms will last for three years and the fourth term will last for one year
Use:	Operating as a nursing home
Rent:	RMB5,856,000 for the first year, subject to 5% growth rate per annum, payable every two months
Deposit:	RMB976,000 payable by Merchants – Colisée Senior Care to Merchants Guangzhou not later than 30 April 2017
Right to renew:	Merchants – Colisée Senior Care shall have a right by notice in writing to Merchants Guangzhou at least 3 months prior to expiry of the Tenancy Agreement to renew the tenancy and the parties shall negotiate the rent based on a fair market price

- Break Clause:
- (i) Merchants – Colisée Senior Care shall have the right to terminate the Tenancy Agreement by giving a 30 working days’ prior written notice if the delivery of the Property cannot be accepted due to the reason of governmental documentations and if such situation cannot be rectified after a reasonable period of time and the parties are unable to reach a settlement after negotiation.
 - (ii) Merchants – Colisée Senior Care may terminate the Tenancy Agreement if Merchants Guangzhou is in breach of its obligations under the Tenancy Agreement, and if such breach subsists over 30 days and as a result of which Merchants – Colisée Senior Care is unable to use the Property for more than 30 consecutive days and if Merchants Guangzhou has not taken effective remedial measures within 30 days after request by Merchants – Colisée Senior Care.
 - (iii) Either party can terminate the Tenancy Agreement if it becomes insolvent, being taken over or bankrupt.

ANNUAL CAP AMOUNTS

The annual aggregate maximum amount payable by Merchants – Colisée Senior Care to Merchants Guangzhou under the Tenancy Agreement for each of the 11 financial years ending 31 December 2027 will be subject to the following cap amounts (the “**Annual Cap Amounts**”) on the basis that (i) the lease term shall commence on the Delivery Date; and (ii) that the rental shall be calculated and charged from the first day of the month after the Delivery Date:

Year ending 31 December	Annual Cap Amounts <i>RMB</i>
2017	976,000
2018	5,904,800
2019	6,200,040
2020	6,510,042
2021	6,835,544
2022	7,177,321
2023	7,536,187
2024	7,912,997
2025	8,308,647
2026	8,724,079
2027	7,570,482

The Annual Cap Amounts were determined by the effective rental denominated in RMB, which has taken into account the rental amounts as stipulated in the Tenancy Agreement. The Annual Cap Amounts as shown above will be adjusted based on the actual commencement of the Tenancy Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

With development, sale, lease, investment and management of properties being one of the principal business activities of the Group, rental income is an important recurrent income source. The Directors believe that the Transaction is necessary for the continuous growth and operations of, and will generate recurrent rental income, for the Group.

Given that the terms of the Tenancy Agreement were negotiated on an arm's length basis with reference to the market standard, the Directors (including the independent non-executive Directors) consider that the terms of the Tenancy Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Group and the shareholders of the Company as a whole.

As none of the Directors have material interest in the Tenancy Agreement, none of them were required to abstain from voting on the Board resolution approving the Tenancy Agreement.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the duration of the Tenancy Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged Altus as the independent financial adviser to explain why a longer period for the Tenancy Agreement is required and to confirm whether it is normal business practice for the tenancy agreement of this type to be of such duration.

In rendering its opinion, Altus has relied on the statements, information and representations contained or referred to in this announcement and/or provided by the Company, the Directors and the Management, and taken into consideration of the following principal factors:

- (i) The Company is an investment holding company. Its subsidiaries are principally engaged in the development, sale, lease, investment and management of properties; and the sales of electronic and electrical related products and building related materials and equipment.
- (ii) The construction of the Property is expected to be completed no later than the Completion Date. The Management believes that by securing the Tenancy Agreement, it will enable the Group to generate steady rental income and an immediate return on the Property soon after the Completion Date.
- (iii) The Property is a four-storey building located at Block 12, No. 139 Dongyi Road, Donghuan Street, Panyu District, the Hills Ecool, Guangzhou City, Guangdong Province, the PRC, which is a residential community.
- (iv) According to the Management, although the properties in the surrounding area of the Property can be leased for commercial purpose (i.e. lease for office buildings or shops), there is no certainty in the near term to lease the Property for general commercial purpose with multiple tenants and even if the Property can be successfully leased out, the rental returns will likely be relatively low.

- (v) The duration of the Tenancy Agreement (exceeding three years) allows Merchants Guangzhou to benefit from the diminished administrative and marketing burdens of finding suitable new tenant(s) (i.e. who is/are willing to take up the entire space including an overground indoor area of approximately 8,330.6 square metres and an overground outdoor area of approximately 4,064 square metres) whilst enjoying a stable rental income by reference to the market rate (subject to a 5% growth rate per annum).
- (vi) According to the Management, in view of the tenant's concern on the sensitivity of or negative impacts to the operation of elderly nursing home arising from frequent relocation, the Group considers that it is justifiable and reasonable to offer a tenancy agreement of a longer duration in order to incentivise the tenant to lease the Property.

In addition to the aforementioned factors, in considering whether it is normal business practice for the tenancy agreement of this type to be of such duration, Altus has also identified certain comparable transactions entered into by companies listed or to be listed on the Stock Exchange involving the leasing of properties for the operation of either elderly nursing home or medical services (the “**Comparable Transactions**”). The contract term of the Comparable Transactions has a duration ranging from 1 year to 20 years.

Taking into account of the above, Altus confirms that (i) a term of longer than three years is required for the Tenancy Agreement; and (ii) it is normal business practice for the Tenancy Agreement to be of such duration.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Merchants – Colisée Senior Care is an indirect non-wholly owned subsidiary of China Merchants Shekou which is the intermediate holding company of the Company. Accordingly, the Tenancy Agreement entered into by Merchants Guangzhou and Merchants – Colisée Senior Care, and the transaction contemplated thereby constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. However, as the maximum annual rental receivable under the Tenancy Agreement is not expected to exceed 5% of the applicable percentage ratios calculated under the Listing Rules, the transaction contemplated under the Tenancy Agreement is only subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined or the context requires otherwise, the following terms shall have the meanings set out below:

“Altus”	Altus Capital Limited, a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise on the duration of the Tenancy Agreement
“Board”	the board of Directors
“China Merchants Shekou”	China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company established under the laws of the PRC and listed on Shenzhen Stock Exchange, being the intermediate holding company of the Company
“Merchants – Colisée Senior Care”	Guangzhou China Merchants – Colisée Senior Care Services Co., Ltd. (廣州招商高利澤養老服務有限公司), a company established under the laws of the PRC with limited liability, which is an indirect non-wholly owned subsidiary of China Merchants Shekou
“Company”	China Merchants Land Limited (招商局置地有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange (Stock Code: 978)
“Completion Date”	31 August 2017, the date on which the construction of the Property is expected to be completed
“Delivery Date”	the date on which Merchants Guangzhou and Merchants – Colisée Senior Care sign and confirm the passing of possession of the Property, which is expected to take place no later than 31 October 2017 or such other date as mutually agreed by the parties
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Management”	the management of the Company
“Merchants Guangzhou”	Merchants Property Development (Guangzhou) Ltd., a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Property”	a four-storey building located at Block 12, No. 139, Dongyi Road, Donghuan Street, Panyu District, the Hills Ecool, Guangzhou City, Guangdong Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“Tenancy Agreement”	the tenancy agreement dated 7 April 2017 entered into between Merchants Guangzhou as landlord and Merchants – Colisée Senior Care as tenant in respect of the Property
“Transaction”	the entering into the Tenancy Agreement and the transactions contemplated thereunder
“%”	percent

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

Hong Kong, 7 April 2017

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.