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**CHINA MERCHANTS LAND LIMITED**

**招商局置地有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 978)**

**ANNOUNCEMENT  
MAJOR AND CONNECTED TRANSACTION  
JOINT VENTURE ARRANGEMENT IN RESPECT OF  
ACQUISITION OF LAND**

Reference is made to the announcement of the Company dated 10 April 2017 in connection with the Land Transfer Confirmation for the land use right of the Zengcheng Land issued by Guangzhou Land Bureau to Guangzhou Merchants dated 29 March 2017 as a result of the successful bidding through public tender.

The Directors are pleased to announce that on 21 June 2017, Guangzhou Merchants entered into the Cooperation Agreement with Guangdong Poly and Shanghai Guanyi for the development of the Zengcheng Land through the JV Company. The JV Company is a limited liability company established in the PRC on 11 May 2017 for the sole purpose of conducting potential property development business which is of a revenue nature in the ordinary and usual course of business of the Company. The joint venture arrangement is on an arm's length basis and on normal commercial terms. No change of business scope shall be allowed except with unanimous consent of all joint venture partners.

**COOPERATION AGREEMENT**

On 21 June 2017, Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi entered into the Cooperation Agreement, pursuant to which Guangzhou Merchants shall procure the JV Company to execute a contract with Guangzhou Land Bureau to amend the Land Use Right Grant Contract to the effect that the JV Company shall become the sole beneficiary and developer of the Zengcheng Land. The JV Company's registered capital of RMB100,000,000 shall be contributed by Guangzhou Merchants (34%), Guangdong Poly (33%) and Shanghai Guanyi (33%).

## IMPLICATIONS UNDER THE LISTING RULES

Poly Jiangsu, a substantial shareholder of the Company's subsidiary, Nanjing Shanjieyi Property Development Company Limited\* (南京善杰義房地產開發有限公司), is a connected person of the Company. Guangdong Poly and Poly Jiangsu are fellow subsidiaries under the control of Poly Real Estate (Group) Co., Ltd.\* (保利房地產(集團)股份有限公司). Guangdong Poly, therefore, is an associate of connected person of the Company pursuant to R14A.13(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since (i) Guangdong Poly is an associate of connected person at the subsidiary level of the Company; (ii) the Acquisition is on normal commercial terms; (iii) the Board has approved the Acquisition; and (iv) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements and only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

However, as one or more of the Percentage Ratios in respect of the Acquisition (undertaken on a joint basis with other parties pursuant to the Cooperation Agreement and calculated by reference to 34% interest attributable to the Group and total investment) exceed 25% but are less than 100%, the Acquisition (undertaken on a joint basis with other parties pursuant to the Cooperation Agreement and calculated by reference to 34% interest attributable to the Group and total investment) constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as the Acquisition involves an acquisition of governmental land(s) from a PRC Governmental Body through an auction governed by the PRC law, which is undertaken by the Group on a sole basis in its ordinary and usual course of business. The Acquisition, therefore, is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules. A circular containing, among other things, further details of the Acquisition and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or around 30 July 2017 as additional time is required to prepare financial information such as statement of indebtedness and working capital sufficiency statement relating to the Group for disclosure in the circular.

Reference is made to the announcement of the Company dated 10 April 2017 in connection to the Land Transfer Confirmation for the land use right of the Zengcheng Land issued by Guangzhou Land Bureau to Guangzhou Merchants dated 29 March 2017 as a result of the successful bidding through public tender.

Having considered the scale of the proposed project, the Group intended to bring in other investors to jointly develop the Zengcheng Land through the JV Company.

The JV Company is a limited liability company established in the PRC on 11 May 2017 for the sole purpose of conducting potential property development business which is of a revenue nature in the ordinary and usual course of business of the Company. The joint venture arrangement is on an arm's length basis and on an normal commercial terms. No change of business scope shall be allowed except with unanimous consent of all joint venture partners.

## **THE COOPERATION AGREEMENT**

On 21 June 2017, Guangzhou Merchants entered into the Cooperation Agreement with Guangdong Poly and Shanghai Guanyi for the development of the Zengcheng Land through the JV Company.

**Date:** 21 June 2017 (after trading hours)

### **Parties**

- (i) Guangzhou Merchants, an indirect wholly-owned subsidiary of the Company and is principally engaged in property development
- (ii) Guangdong Poly, a company established in the PRC with limited liability
- (iii) Shanghai Guanyi, a company established in the PRC with limited liability

The JV Company's registered capital of RMB100,000,000 shall be contributed by Guangzhou Merchants (34%), Guangdong Poly (33%) and Shanghai Guanyi (33%).

### **Cooperative Arrangements for the development of the Zengcheng Land**

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

- (a) Guangzhou Merchants shall procure the JV Company to execute a contract with Guangzhou Land Bureau to amend the Land Use Right Grant Contract to the effect that the JV Company shall become the sole beneficiary and developer of the Zengcheng Land;
- (b) the initial registered capital of the JV Company of RMB100,000,000 which shall be contributed by Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi in the proportion of 34%, 33% and 33%;
- (c) within five working days after signing the Cooperation Agreement, Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall contribute RMB34,000,000, RMB33,000,000 and RMB33,000,000 in cash to the registered capital of the JV Company;
- (d) the parties shall bear the cost of the Acquisition, tax, relevant expenses, project development costs, management fees and total investment amount in connection to the Zengcheng Land in accordance to the proportion to their shareholdings;
- (e) the price of the land use rights of the Land amounting to RMB4,350,000,000 shall be payable in the below manner:

- (1) the first instalment of RMB2,175,000,000 is payable in cash on or before 13 May 2017;
- (2) the security deposit of RMB1,500,000,000 (which had been paid by Guangzhou Merchants before the establishment of the JV Company) shall form part of the first instalment;
- (3) the second instalment of RMB2,175,000,000 is payable in cash on or before 15 December 2017.

The first instalment had been paid by Guangzhou Merchants on or before 13 May 2017.

The price of land use right of RMB4,350,000,000 shall be borne by the joint venture partners with its internal resources in accordance to their shareholdings in the JV Company.

The price of the land use rights of the Zengcheng Land was derived from a public auction held by Guangzhou Land Bureau on 29 March 2017, which was conducted in accordance with the terms of the auction promulgated by Guangzhou Land Bureau.

- (f) to the extent that the capital required by the JV Company is not covered by its own bank loan or other financial resources, the parties to the Cooperation Agreement shall provide shareholder's loan to the JV Company in proportion to their shareholdings in the JV Company which shall be chargeable at an annual interest rate of 20% on top of the interest rate promulgated by the People's Bank of China;
- (g) the initial payment of land costs together with other relevant expenses contributed by Guangzhou Merchants shall be payable by Guangdong Poly and Shanghai Guanyi to Guangzhou Merchants in the proportion of their respective shareholdings in the JV Company and a 20% interest is chargeable.

The Group's estimated share of total investment is approximately RMB2,450,000,000.

The capital commitment to be made to the JV Company by Guangzhou Merchants shall be funded by the Group's internal resources.

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

Name of the Land:	Zhang Po Cun, Yongning Street, Zengcheng District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市增城區永寧街道章陂村)
Location of the Land:	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)
Total site area:	86,417.35 sq.m.
Nature of the land use rights:	designated for category II residential usage
Permitted plot ratio:	not more than 3.61
Terms of use:	70 years
Price:	RMB4,350,000,000

On 29 March 2017, Guangzhou Merchants has successfully won a bidding in respect of the land use right of the Zengcheng Land situated at Guangzhou City, Guangdong Province of the PRC at the price of RMB4,350,000,000. Guangzhou Merchants has received the Land Transfer Confirmation from Guangzhou Land Bureau on 29 March 2017. Guangzhou Merchants has entered into the Land Use Rights Grant Contract with Guangzhou Land Bureau in relation to the Acquisition on 13 April 2017.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guangzhou Land Bureau and their ultimate beneficial owners are all Independent Third Parties.

In view of the location and the designated use of the Zengcheng Land, the Directors consider that the Acquisition of the Zengcheng Land by the JV Company is in line with the business development strategy and plan of the Group. The Directors (including independent non-executive Directors) consider that the Acquisition is a transaction of revenue nature and is carried out in the ordinary and usual course of business and are on normal commercial terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

None of the Directors has a material interest in the Acquisition and none of them is required to abstain from voting on the relevant board resolutions.

## **Distribution of profits**

After repayment of shareholder's loans, the distributable profits of the JV Company shall be distributed to the parties to the Cooperation Agreement in proportion to their shareholding interest in the JV Company.

## **Management of the JV Company**

Significant matters of the JV Company (including increase or reduction of capital, amendment to the memorandum and articles of association, mergers, demergers and liquidation) shall be approved by the joint venture partners unanimously in shareholder's meeting. The board of directors of the JV Company shall consist of five directors, of which Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi shall nominate three, one and one director(s) respectively. The chairman of the board of directors of the JV Company shall be the director nominated by Guangzhou Merchants and shall act as the legal representative of the JV Company.

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

Two supervisors shall be appointed and each of Guangzhou Merchants and Shanghai Guanyi may appoint one. The financial controller shall be appointed by Guangdong Poly and the deputy finance manager shall be appointed by Shanghai Guanyi.

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

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

Each of the parties would benefit from the cooperation in order to exert their strengths, grasp market opportunities and enhance their investment portfolio in the property market in the PRC, which would improve the capital efficiency and effectiveness and reduce the investment risks and thus a greater return could be created for the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Acquisition is in the ordinary and usual course of business of the Company, and that the Acquisition and the joint venture arrangement contemplated under the Cooperation Agreement (including the financing and profit distribution arrangements) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **FINANCIAL IMPACT**

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

## **PARTICULARS OF THE PARTIES**

Guangzhou Merchants, a company established in the PRC with limited liability, is principally engaged in property development and sales of property.

Shanghai Guanyi, a company established in the PRC with limited liability, is principally engaged in consultation services on corporate management, technology for environmental protection and construction technology.

Guangdong Poly, a company established in the PRC with limited liability, is principally engaged in property development and sales of property.

## **IMPLICATIONS UNDER THE LISTING RULES**

Poly Jiangsu, a substantial shareholder of the Company's subsidiary, Nanjing Shanjieyi Property Development Company Limited\* (南京善杰義房地產開發有限公司), is a connected person of the Company. Guangdong Poly and Poly Jiangsu are fellow subsidiaries under the control of Poly Real Estate (Group) Co., Ltd.\* (保利房地產(集團)股份有限公司). Guangdong Poly, therefore, is an associate of connected person of the Company pursuant to R14A.13(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since (i) Guangdong Poly is an associate of connected person at the subsidiary level of the Company; (ii) the Acquisition is on normal commercial terms; (iii) the Board has approved the Acquisition; and (iv) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements and only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

However, as one or more of the Percentage Ratios in respect of the Acquisition (undertaken on a joint basis with other parties pursuant to the Cooperation Agreement and calculated by reference to 34% interest attributable to the Group and total investment) exceed 25% but are less than 100%, the Acquisition (undertaken on a joint basis with other parties pursuant to the Cooperation Agreement and calculated by reference to 34% interest attributable to the Group and total investment) constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as the Acquisition involves an acquisition of governmental land(s) from a PRC Governmental Body through an auction governed by the PRC law, which is undertaken by the Group on a sole basis in its ordinary and usual course of business. The Acquisition, therefore, is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules. A circular containing, among other things, further details of the Acquisition and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or around 30 July 2017 as additional time is required to prepare financial information such as statement of indebtedness and working capital sufficiency statement relating to the Group for disclosure in the circular.

## DEFINITIONS

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

“Acquisition”	the possible acquisition of land use rights of the Zengcheng Land through public bidding process
“Company”	China Merchants Land Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 0978)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	a cooperation agreement dated 21 June 2017 entered into between Guangzhou Merchants, Guangdong Poly and Shanghai Guanyi for the development of the Zengcheng Land through the JV Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Poly”	廣東保利房地產開發有限公司 (Guangdong Poly Property Development Company Limited*) a company established in the PRC with limited liability
“Guangzhou Land Bureau”	The Land and Housing Management Bureau of Zengcheng District, Guangzhou City* (廣州市增城區土地房地產交易所), an Independent Third Party
“Guangzhou Merchants”	廣州招商房地產有限公司 (Guangzhou Merchants Property Development Limited*) a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“JV Company”	a limited liability company established in the PRC on 11 May 2017 by Guangzhou Merchants (34%), Guangdong Poly (33%) and Shanghai Guanyi (33%) for the sole purpose of conducting potential property development business in accordance with its articles of association



“Land Transfer Confirmation”	the confirmation notice (土地成交確認書) dated 29 March 2017 issued by Guangzhou Land Bureau to Guangzhou Merchants confirming the successful bidding of the Zengcheng Land
“Land Use Right Grant Contract”	the land use rights grant contract (國有建設用地使用權出讓合同) entered into between Guangzhou Merchants and Guangzhou Land Bureau on 13 April 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Percentage Ratios”	the “percentage ratios” as defined in rule 14A.10(10) of the Listing Rules
“Poly Jiangsu”	Poly Jiangsu Real Estate Development Co., Limited* (保利江蘇房地產發展有限公司), a company established in the PRC, being a substantial shareholder of the Company’s subsidiary, Nanjing Shanjiyei Property Development Company Limited* (南京善杰義房地產開發有限公司) and hence a connected person of the Company at subsidiary level
“PRC”	the People’s Republic of China which, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Government Body”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Guanyi”	上海冠懿企業管理有限公司 (Shanghai Guanyi Corporate Management Company Limited*) a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules

“Zengcheng Land”

a piece of land situated from in the east of Finance Avenue down to the west of existing plants, in the south of Changfeng International Commercial Project down to the north of Chuangxin Avenue (東至金融大道，南至長風國際商業項目，西至現狀廠房，北至創新大道) with a total site area of 86,417.35 sq.m., designated for category II residential usage with a term of 70 years

“%”

per cent.

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

Hong Kong, 21 June 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.*

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