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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)**

**CONTINUING CONNECTED TRANSACTION  
TENANCY AGREEMENT**

**TENANCY AGREEMENT**

On 4 December 2020, the Tenant, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with the Landlord for the lease of the Premises.

**LISTING RULES IMPLICATIONS**

The Landlord is an indirect wholly-owned subsidiary of CMG, which is a controlling shareholder of the Company and a connected person of the Company. Accordingly, the Landlord is an associate of CMG and hence a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. Therefore, the Tenancy Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the proposed annual caps under the Tenancy Agreement is higher than 0.1% but less than 5% on an annual basis, the Tenancy Agreement and the transactions contemplated thereunder is subject to 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.

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.

On 4 December 2020, the Tenant, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with the Landlord for the lease of the Premises for a rental term of twenty years.

## **TENANCY AGREEMENT**

The principal terms of the Tenancy Agreement are set out as follows:

|                      |   |  |
|----------------------|---|--|
| Date                 | : | 4 December 2020  |
| Parties              | : | (i) The Landlord, an indirect wholly-owned subsidiary of CMG, and a connected person of the Company at the issuer level, as landlord; and<br><br>(ii) The Tenant, an indirect wholly-owned subsidiary of the Company, as tenant. |
| Premises             | : | Property A, Property B and Warehouse C located at Keyuan No. 2 Road, Shiqiaopu, Jiulongpo District, Chongqing, the PRC (excluding 8th floor of and five parking spaces in the basement of Property A)                            |
| Area of the Premises | : | Overground area of approximately 35,098.09 square metres and underground area of approximately 1,578.72 square metres  |
| Use                  | : | To remodel the Premises and operate the Premises after development in the Jiulongpo District, Chongqing  |
| Term                 | : | A fixed term of 20 years from the Delivery Date  |

Rent : The rent is payable every three months and calculated based on the monthly rate of RMB11 per square metre for underground area and RMB22 per square metre for overground area, amounting to an annual rent of RMB9,474,286.80 for the first three years (subject to a reduction of an aggregate of RMB4,737,143 for the first year on a pro-rata basis) with an increment of 3% for every subsequent three years.

The amount of rent was determined after arm's length negotiations between the Landlord and the Tenant, after taking into consideration the prevailing market rental rate for comparable premises in the vicinity of the Premises.

Deposit : RMB1,579,047 comprising:

- (i) RMB690,800 payable by the Tenant to the Landlord within 45 working days after the date of the Tenancy Agreement; and
- (ii) RMB888,247 payable by the Tenant to the Landlord within 15 working days after the Delivery Date in respect of Property A and Property B.

Right to renew : If the Landlord intends to continue to lease out the Premises upon expiry of the Tenancy Agreement, the Tenant shall have the right to renew the tenancy under the same conditions with reference to the prevailing market conditions.

- Break Clause : (i) The Tenant shall have the right to terminate the Tenancy Agreement upon delivery of written notice if the Landlord fails to deliver the Premises in accordance with the terms and conditions of the Tenancy Agreement and within 45 days after request by the Tenant.
- (ii) Either party can terminate the Tenancy Agreement if the other party is in liquidation process (except for the purpose of reorganisation or merger) or has its business license revoked.
- (iii) Either party can terminate the Tenancy Agreement if the other party is in breach of its obligations under the Tenancy Agreement which results in the failure of the non-defaulting party to achieve its purpose of entering into the Tenancy Agreement.

#### **ANNUAL CAP AMOUNTS**

The annual aggregate maximum amount payable by the Tenant to the Landlord under the Tenancy Agreement for each of the 21 financial years ending 31 December 2040 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:

| <b>Year ending 31 December</b> | <b>Annual Cap Amounts</b><br><i>RMB</i> |
|--------------------------------|---|
| 2020                           | 1,036,200                               |
| 2021                           | 9,474,287                               |
| 2022                           | 9,474,287                               |
| 2023                           | 9,948,001                               |
| 2024                           | 9,948,001                               |
| 2025                           | 9,948,001                               |
| 2026                           | 10,445,401                              |
| 2027                           | 10,445,401                              |
| 2028                           | 10,445,401                              |
| 2029                           | 10,967,671                              |
| 2030                           | 10,967,671                              |
| 2031                           | 10,967,671                              |
| 2032                           | 11,516,055                              |
| 2033                           | 11,516,055                              |
| 2034                           | 11,516,055                              |
| 2035                           | 12,091,858                              |
| 2036                           | 12,091,858                              |
| 2037                           | 12,091,858                              |
| 2038                           | 12,696,450                              |
| 2039                           | 12,696,450                              |
| 2040                           | 12,696,450                              |

The Annual Cap Amounts are determined by the amounts of rent payable to the Landlord 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.

## **INFORMATION OF THE PARTIES**

The Landlord is principally engaged in provision of logistics services and warehousing services. The Landlord is an indirect wholly-owned subsidiary of CMG, which is a state-owned conglomerate regulated by the national State-Owned Assets Supervision and Administration Commission of the State Council.

The Tenant, a company established in the PRC with limited liability, is principally engaged in business management, project marketing and lease management.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group is principally engaged in the development, sale, lease, investment and management of properties and assets management. In view of the location and the use of the Premises for the operation of the property development project in Jiulongpo District, Chongqing, the Directors are of the view that synergies will be further created among the existing investment in Chongqing of the Group, which are reflected in the following manners: (i) the Premises will allow the Group to increase the exposure of its brand name of “E-Cool” and enhance the operating performance of the Group by enlarging and enriching the range of its merchandise and lifestyle elements, and the target customers could experience a more dynamic shopping experience; (ii) with the Group’s well-established and experienced operation teams, operating costs of the Premises are expected to decrease and net profit margin will be improved; (iii) with the Premises, the Group is able to enlarge its operating area to provide another source of income for the Group in the future and thus improve the Group’s profit margin; and (iv) the entering into of the Tenancy Agreement is in line with the business development strategy and planning of the Group to conduct assets management business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Tenancy Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders 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 resolutions approving the Tenancy Agreement and the transactions contemplated thereunder.

## **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 of the Company (the “**Management**”), and taken into consideration of the following principal factors:

- (i) the Company intends to remodel the Premises, transform the Premises to a cultural and recreational community center and operate the Premises after development (the “**Project**”). The Project is the seventh project of this nature under the brandname of “E-Cool” and it is a long-term development project with a project plan of 20 years;

- (ii) the Group decided to take up this project for the synergies among its existing investment in Chongqing, which is expected to be achieved by (i) increasing the exposure of the “E-Cool” brand and enriching the range of its merchandise and lifestyle elements to the project; (ii) improving profit margin of the Project through lowering the operation costs of the Premises with the support of the Group’s experienced operations teams; and (iii) enlarging the property portfolio to provide additional income source of the Group in the future;
- (iii) the transformation of the Premises will involve a heavy initial investment and capital expenditure by the Group. Hence, the Project involves a long investment horizon and the Management estimated a break-even point will only be achieved after 12 years of operation;
- (iv) according to the Management, if a shorter term is employed with a right-to-renew clause to replace the 20-years term, there is no certainty that the Group can successfully renew the Tenancy Agreement under similar conditions as the right-to-renew clause depends on the Landlord’s intention with the Premises and the then prevailing market conditions. Hence, the Management intends to undertake the Project only when the term of the Tenancy Agreement is long enough to minimise the risk of renewal; and
- (v) according to the Management, the Project is similar to the build-operate-transfer (“**BOT**”) business model adopted in large-scale infrastructure projects. Although the Project is not an infrastructure project, the Project was thoroughly discussed and approved by the local government as a major local attraction. BOT projects generally require years of operation to be profitable and hence its contracts and agreements generally involve a longer term, which could last up to 30 years.

In addition to the aforementioned factors, in considering whether it is normal business practice for an agreement of a similar nature to the Tenancy Agreement to have a term of such duration, Altus has reviewed four tenancy agreements entered into by the subsidiaries of CMSK with similar uses and noted that the term ranged from 15 years to 20 years and has an average term of approximately 18 years. In addition, Altus also identified and reviewed comparable transactions involving (i) leasing of properties for the operation of malls or commercial stores with a gross floor area exceeding 20,000 square meters; and (ii) tenancy agreements entered into with connected parties during 4 December 2019 to 4 December 2020 (that is one year prior to the date of entering the Tenancy Agreement) (the “**Comparable Transactions**”). Altus noted that the terms of the Comparable Transactions range from 5 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 such kind of tenancy agreement to be of such duration.

## **LISTING RULES IMPLICATIONS**

The Landlord is an indirect wholly-owned subsidiary of CMG, which is a controlling shareholder of the Company and a connected person of the Company. Accordingly, the Landlord is an associate of CMG and hence a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. Therefore, the Tenancy Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the proposed annual caps under the Tenancy Agreement is higher than 0.1% but less than 5% on an annual basis, the Tenancy Agreement and the transactions contemplated thereunder is subject to 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 the context otherwise requires, the following expressions have the following meanings:

|                |   |
|----------------|---|
| “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 |
| “associate(s)” | has the meaning ascribed hereto in the Listing Rules  |
| “Board”        | the board of Directors  |
| “CMG”          | China Merchants Group Limited (招商局集團有限公司), a PRC enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, being the immediate controlling shareholder of CMSK holding more than 63% of the total issued share capital of CMSK  |



|                    |  |
|--------------------|--|
| “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 intermediate controlling shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the date of this announcement |
| “Company”          | China Merchants Land Limited, a 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” | has the meaning ascribed to it in the Listing Rules  |
| “Directors”        | the directors of the Company   |
| “Delivery Date”    | the date on which the Landlord and the Tenant sign and confirm the passing of the possession of the Premises or such other date as mutually agreed by the parties  |
| “Group”            | the Company and its subsidiaries   |
| “Landlord”         | Chongqing Sinotrans Storage & Transportation Co., Ltd.* (重慶外運儲運有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of CMG   |
| “Listing Rules”    | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time   |
| “PRC”              | the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)   |
| “Premises”         | Property A, Property B and Warehouse C located at Keyuan No. 2 Road, Shiqiaopu, Jiulongpo District, Chongqing, the PRC   |
| “RMB”              | Renminbi, the lawful currency of the PRC   |

|                     |   |
|---------------------|---|
| “Share(s)”          | the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company   |
| “Shareholder(s)”    | shareholders of the Company   |
| “Stock Exchange”    | The Stock Exchange of Hong Kong Limited   |
| “subsidiary”        | has the meaning ascribed to it in the Listing Rules   |
| “Tenancy Agreement” | the tenancy agreement dated 4 December 2020 entered into between the Landlord and the Tenant in respect of the lease of the Premises  |
| “Tenant”            | Chongqing Merchants Yi Ku Business Management Co., Ltd.* (重慶招商意庫商業管理有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company |
| “%”                 | per cent.   |

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

Hong Kong, 4 December 2020

*As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong 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*