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CHINA MERCHANTS LAND LIMITED
招商局置地有限公司

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 978)

**MAJOR TRANSACTION: DISPOSAL OF EQUITY INTEREST IN, AND
SHAREHOLDER'S LOAN TO, A SUBSIDIARY AND
DISCLOSEABLE TRANSACTION: CONDITIONAL ACQUISITION**

21 October 2014

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DEFINITIONS

In this circular, the following terms and expressions shall have the following respective meanings unless the context otherwise requires:

The text of the two Previous Announcements are set out in Appendix III to this circular for your information and reference. Capitalised terms used in this circular shall have the same meanings as those defined in the Previous Announcements unless otherwise defined herein.

“Board”	the board of Directors
“BVI”	British Virgin Islands
“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, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000024 (A share); 200024 (B share) and Singapore Exchange (stock code: C03), being the controlling shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date
“Company”	China Merchants Land Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 24 April 1997 and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0978)
“Conditional Repurchase”	the repurchase of the 49% equity interest held by Fujin Investment in Cyber Light upon the satisfaction of certain conditions, details of which are set out in the paragraph headed “Conditional Repurchase of equity interest held by Fujin Investment in Cyber Light” in the section headed “Letter from the Board” of this circular
“Cyber Light”	Cyber Light Investments Limited (光鴻投資有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by Runray Holdings as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“First Announcement”	the announcement of the Company dated 31 July 2014, the text of which is set out on pages 22 to 35 in Appendix III of this circular

DEFINITIONS

“Fujin Investment”	Fujin Investment Management Limited (富錦投資管理有限公司), a company incorporated in the BVI with limited liability
“Fujin Investment G16 Shareholder’s Loan”	the shareholder’s loan of US\$18.95 million (equivalent to approximately RMB116.52 million) to be provided by Fujin Investment to Cyber Light upon completion of transfer of the Sale Shares
“G16 Land Acquisition Consideration”	the total consideration of RMB1,189 million for acquiring the Nanjing G16 Land by Cyber Light pursuant to the land transfer confirmation obtained by Cyber Light on 18 April 2014
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company
“Latest Practicable Date”	16 October 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanjing G16 Disposal”	the transactions contemplated under the Nanjing G16 Land Cooperation Agreement, which include the disposal of 49% equity interest in Cyber Light to Fujin Investment, provision of the Fujin Investment G16 Shareholder’s Loan for repayment of part of the shareholder’s loan previously provided by Runray Holdings to Cyber Light and the payment of Nanjing G16 Financing Reimbursement Cost
“Nanjing G16 Financing Reimbursement Cost”	the reimbursement of financing costs to be paid by Fujin Investment to Runray Holdings when Fujin Investment provides the Fujin Investment G16 Shareholder’s Loan to Cyber Light, details of which are set out in the paragraph headed “Nanjing G16 Financing Reimbursement Cost” in the section headed “Letter from the Board” of this circular

DEFINITIONS

“Nanjing G16 Land”	a piece of land situated at the west of Jing 5th Road in Phase 2, Maigaoqiao Street, Qixia District, Nanjing City (南京市棲霞區邁皋橋街道經五路二期西側) with a total site area of 57,945 sq.m.
“Nanjing G16 Land Cooperation Agreement”	a cooperation agreement dated 30 September 2014 entered into between Runray Holdings and Fujin Investment in respect of, among other things, the Nanjing G16 Disposal
“Nanjing G16 Land Project”	the construction and development of a real estate project on the Nanjing G16 Land
“Nanjing Qisheng”	南京招商啟盛房地產有限公司 (Nanjing Merchants Qisheng Property Development Limited*), a company established in the PRC for engaging in the construction and development of the Nanjing G16 Land Project
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Announcements”	collectively, the First Announcement and the Second Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Runray Holdings”	Runray Holdings Limited (威榮控股有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	an aggregate of 49 ordinary shares, which represents 49% of the share capital of Cyber Light
“Second Announcement”	the announcement of the Company dated 22 August 2014, the text of which is set out on pages 36 to 44 in Appendix III of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)

* *The English names of companies incorporated in the PRC and cities of the PRC are translations of their Chinese names and are included for identification purposes only.*

DEFINITIONS

“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Well”	Success Well Investments Limited, a company incorporated in the BVI, a controlling Shareholder of the Company which directly owns an aggregate of 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company as at the Latest Practicable Date
“US\$”	The United States dollars, the lawful currency of the United States of America

For the purpose of this circular, unless the context otherwise requires, conversion of US dollars into RMB is based on the approximate exchange rate of US\$1 to RMB6.1479. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in US dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

In this circular, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.



CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 978)

Board of Directors:

Executive Directors:

SO Shu Fai
XIAN Yaoqiang
LIU Zhuogen
YU Zhiliang

Non-executive Directors:

HE Jianya
WU Zhenqin
LIU Ning

Independent non-executive Directors:

WONG Wing Kuen, Albert
CHEN Yanping
SHI Xinping
HE Qi

Company secretary:

CHAN Wing Yan

Registered office:

P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and place of business

in Hong Kong:

Room 1701, 17/F
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

21 October 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION: DISPOSAL OF EQUITY INTEREST IN, AND
SHAREHOLDER'S LOAN TO, A SUBSIDIARY AND
DISCLOSEABLE TRANSACTION: CONDITIONAL ACQUISITION**

On 30 September 2014, Runray Holdings, a wholly-owned subsidiary of the Company, entered into the Nanjing G16 Land Cooperation Agreement with Fujin Investment pursuant to which, among other things, (i) Runray Holdings had conditionally agreed to sell and Fujin Investment had conditionally agreed to purchase the Sale Shares, representing 49% equity interest in Cyber Light; and (ii) upon completion of Nanjing G16 Disposal, Fujin Investment shall provide a shareholder loan to Cyber Light in proportion

LETTER FROM THE BOARD

to the 49% shareholding of Fujin Investment in Cyber Light which shall be fully applied to repay part of the shareholder's loan already provided by Runray Holdings.

Fujin Investment is indirectly wholly-owned by Ping An Real Estate. The Group has also entered into land cooperation agreements with companies controlled by Ping An Real Estate, as detailed in the First Announcement dated 31 July 2014 in respect of the Nanjing G14 Deemed Disposal (as defined therein) and the Guangzhou Panyu Deemed Disposal (as defined therein) and the Second Announcement dated 22 August 2014 in respect of the Nanjing G09 Deemed Disposal (as defined therein), which constituted deemed disposals and, on an aggregate basis, discloseable transaction of the Company under Rule 14.22 and Rule 14.23 of the Listing Rules. The full text of the First Announcement is set out on pages 22 to 35 in Appendix III and the full text of the Second Announcement is set out on pages 36 to 44 in Appendix III of this circular. The transactions under the Nanjing G16 Land Cooperation Agreement, when considered on an aggregate basis together with the Nanjing G14 Deemed Disposal, the Guangzhou Panyu Deemed Disposal and the Nanjing G09 Deemed Disposal (collectively, the "**Previous Disposals**") disclosed in the Previous Announcements, constitute a major transaction under the Listing Rules. Accordingly, the Nanjing G16 Disposal is subject to the major transaction requirements under the Listing Rules.

The main purpose of this circular is to provide you with information relating to (i) the Nanjing G16 Disposal and (ii) the financial information relating to the Group. Further details of the Previous Disposals are set out in the text of the Previous Announcements which are included in pages 22 to 44 in Appendix III of this circular for your reference.

Details of the Nanjing G16 Land Cooperation Agreement are summarized below.

Date

30 September 2014

Parties

- (a) Runray Holdings, a company established in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business of Runray Holdings is investment holding; and
- (b) Fujin Investment, a company established in the BVI with limited liability. To the best of the Directors' knowledge after due enquiry, (i) Fujin Investment is indirectly wholly-owned by Ping An Real Estate; (ii) its principal business is investment holding; and (iii) as at the Latest Practicable Date, Guangzhou Panyu Deemed Disposal has been completed. As a result, Shenzhen Lianxin has become a substantial shareholder of Guangzhou Yi Yun in which Shenzhen Lianxin holds 49% equity interest. Shenzhen Lianxin is wholly-owned by Shenzhen Luhong and indirectly controlled by Ping An Real Estate. Save for the aforesaid, Fujin Investment, Ping An Real Estate and their ultimate beneficial owners do not have any other relationship with the Company and its connected persons.

LETTER FROM THE BOARD

Basic information of Nanjing G16 Land Project and the project company

As announced by the Company on 6 May 2014, Cyber Light had successfully obtained the land transfer confirmation for the land situated at the west of Jing 5th Road in Phase 2, Maigaoqiao Street, Qixia District, Nanjing City (南京市棲霞區邁皋橋街道經五路二期西側) for a total consideration of RMB1,189 million on 18 April 2014. The land has a total site area of 57,945 sq.m. and its permitted plot ratio is between 4.22. The land is designated for a mix of residential and commercial usage. The term for residential usage is 70 years and for commercial usage is 40 years.

According to the tender documents of the Nanjing G16 Land, the G16 Land Acquisition Consideration shall be paid in the following manner:

- (a) 50% of the total G16 Land Acquisition Consideration, i.e., approximately RMB594.5 million, shall be paid not later than 22 October 2014;
- (b) 30% of the G16 Land Acquisition Consideration, i.e., approximately RMB356.7 million, shall be paid not later than 21 January 2015; and
- (c) the remaining 20% of the G16 Land Acquisition Consideration, i.e., approximately RMB237.8 million, shall be paid not later than 17 April 2015.

An aggregate of US\$38.68 million (equivalent to approximately RMB237.8 million) had been paid by Cyber Light to the land resources authority of Nanjing City as deposit (“**Deposit**”) which would be applied to settle 20% of the G16 Land Acquisition Consideration. The same amount had been provided by Runray Holdings to Cyber Light as a shareholder’s loan. As at the Latest Practicable Date, save for the abovementioned land transfer confirmation letter in respect of the Nanjing G16 Land and payment of the Deposit, no agreement has been entered into and no further payment has been made in respect of the Nanjing G16 Land. According to the land transfer confirmation letter mentioned above, upon 50% of the total G16 Land Acquisition Consideration has been paid by 22 October 2014, Cyber Light and the Nanjing City land resources authority would enter into a land transfer agreement in respect of the Nanjing G16 Land by the end of October 2014 and completion of the transfer of the Nanjing G16 Land would take place after 100% of the G16 Land Acquisition Consideration has been settled by Cyber Light in accordance with the schedule set out above.

Cyber Light is a company incorporated in Hong Kong on 22 January 2014 and principally engaged in investment holding. As at the Latest Practicable Date, Cyber Light has a share capital of HK\$100 and 100 ordinary shares in issue. Nanjing Qisheng is a project company established in the PRC specifically for the construction and development of the real estate project on the Nanjing G16 Land. Nanjing Qisheng is indirectly wholly-owned by Runray Holdings.

According to the unaudited consolidated management accounts of Cyber Light for the period since its incorporation date up to the Latest Practicable Date, its unaudited loss before and after taxation and extraordinary items was approximately RMB18,000 and as at the Latest Practicable Date, its unaudited consolidated total assets value was RMB238

LETTER FROM THE BOARD

million, which consisted of the Deposit of approximately RMB238 million, cash deposit in bank of approximately RMB5,000 and amount due from holding company of approximately RMB79 and its unaudited consolidated total liabilities was approximately RMB238 million and accordingly, its unaudited consolidated total net asset value was approximately –RMB18,000.

Transfer of 49% equity interest in Cyber Light

Fujin Investment has conditionally agreed to purchase and Runray Holdings has conditionally agreed to sell the Sale Shares, being 49 ordinary shares in the share capital of Cyber Light, representing 49% of the share capital of Cyber Light, at the aggregate consideration of HK\$49 which shall be paid by Fujin Investment to Runray Holdings upon completion by cash. The consideration for the disposal of the Sale Shares was determined based on the proportionate value of the Sale Shares out of the total share capital of Cyber Light.

Shareholder's loan to Cyber Light

Upon completion of the transfer of the Sale Shares, Fujin Investment shall provide a shareholder's loan of US\$18.95 million (equivalent to approximately RMB116.52 million) to Cyber Light which shall be fully applied to repay part of the shareholder's loan provided by Runray Holdings to Cyber Light. As a result, the shareholder's loan provided by Runray Holdings to Cyber Light will be reduced from approximately RMB237.8 million to approximately RMB121.28 million.

After completion of the Nanjing G16 Disposal, both parties shall provide further funding to Cyber Light by way of shareholders' loans in proportion to their respective shareholding in Cyber Light for the purpose of settling the remaining balance of the G16 Land Acquisition Consideration and as working capital for the construction and development of the Nanjing G16 Land Project.

Nanjing G16 Financing Reimbursement Cost

When Fujin Investment pays the Fujin Investment G16 Shareholder's Loan, it shall also make a reimbursement of financing costs to Runray Holdings which shall be calculated as follows:

"Nanjing G16 Financing Reimbursement Cost"

= Fujin Investment G16 Shareholder's Loan x 5% x D/360

"D"

= number of days commencing from and inclusive of the day of payment of the 20% deposit for acquisition of the Nanjing G16 Land by Runray Holdings up to but exclusive of the day of repayment of the amount equivalent to Fujin Investment G16 Shareholder's Loan to Runray Holdings

LETTER FROM THE BOARD

Conditions precedent to Nanjing G16 Land Cooperation Agreement

Within 15 business days after the entering into of the Nanjing G16 Land Cooperation Agreement, Runray Holdings shall engage an independent professional valuer to carry out a valuation of the assets of Cyber Light. It shall be a condition precedent to the obligations of the parties under the Nanjing G16 Land Cooperation Agreement that (i) Runray Holdings has completed its internal approval and filing procedures with China Merchants Group Limited and (ii) both parties agree to accept the valuation results in writing.

Conditional Repurchase of equity interest held by Fujin Investment in Cyber Light

Conditional on and upon completion of the project and the sold gross floor area of the properties developed for sale in the Nanjing G16 Land Project has in aggregate reached 95% of the total saleable gross floor area in the Nanjing G16 Land Project (excluding the gross floor area of the investment commercial properties to be held for investment (as stipulated in the land acquisition agreement of the Nanjing G16 Land)), based on the then aggregate contracted for sale gross floor area of the project as recorded on the 南京市網上房地產網 (Nanjing City Real Property Registration Website*), either party shall have the right to require the preparation of the final accounts regarding the Nanjing G16 Land Project and distribution of profits by Nanjing Qisheng to its shareholders. After completion of the project, the preparation of the final accounts and distribution of profits, both parties shall engage an independent professional valuer to conduct valuation on the equity interest held by the shareholders of Cyber Light except that the value of the investment commercial properties will be determined according to the calculation agreed by the parties in the Nanjing G16 Land Cooperation Agreement. Within 60 days after both parties agree to accept the valuation results, subject to compliance with the requirements under the Listing Rules by the Company (if applicable), Fujin Investment shall sell and Runray Holdings shall purchase all the shares of Cyber Light held by Fujin Investment at a consideration to be determined based on the results of the valuation.

REASONS FOR AND BENEFITS OF THE NANJING G16 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 G16 Disposal, the total investment of the Group already contributed to the Nanjing G16 Land Project as at the Latest Practicable Date will be reduced by an aggregate amount of approximately RMB116.52 million. In addition, the total remaining capital commitment of the Group in the acquisition of the Nanjing G16 Land will also be reduced by 49% of the remaining balance of the Nanjing G16 Land Acquisition Consideration, i.e., approximately RMB466.09 million. The decrease in investment and capital commitment as a result of the Nanjing G16 Disposal and the cash inflow to be generated by the Nanjing G16 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

LETTER FROM THE BOARD

joint investment in Cyber Light with Fujin Investment as contemplated under the Nanjing G16 Land Cooperation Agreement is in line with and forms part of the strategic cooperation with Ping An Real Estate as mentioned in the Previous Announcements.

The terms of the Nanjing G16 Land Cooperation Agreement have been arrived at after arm's length negotiations between the parties. The amount of contribution to be made by Fujin Investment under the Nanjing G16 Land Cooperation Agreement were agreed between both parties with reference to the parties' respective proportion of equity interest to be held by them in Cyber Light after completion of the equity transfer under the Nanjing G16 Disposal.

The Directors are of the view that the terms of the Nanjing G16 Land Cooperation Agreement and the Nanjing G16 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 G16 DISPOSAL ON THE COMPANY

As at the Latest Practicable Date, Cyber Light is wholly-owned by Runray Holdings. Upon completion of the Nanjing G16 Disposal, the equity interest of Runray Holdings in Cyber Light will decrease to 51%. Each of Cyber Light and Nanjing Qisheng 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 G16 Disposal.

Upon completion of this transaction, there will be a net cash inflow amounted to approximately RMB116 million to the Group. It is expected that the transaction will have no effect on the earnings of the Group and upon completion of this transaction, each of the total assets and liabilities of the Group will be increased by approximately RMB116 million. Besides, both parties shall provide further funding to Cyber Light by way of shareholders' loans in proportion to their respective shareholding in Cyber Light for the purpose of settling the remaining balance of the G16 Land Acquisition Consideration and as working capital for the construction and development of the Nanjing G16 Land Project.

LISTING RULES IMPLICATIONS

The Nanjing G16 Disposal itself does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, since Fujin Investment is indirectly wholly-owned by Ping An Real Estate, the investors under the Nanjing G14 Land Cooperation Agreement, Guangzhou Panyu Land Cooperation Agreement, Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement are also indirectly controlled by Ping An Real Estate, accordingly, the transactions contemplated under Nanjing G16 Land Cooperation Agreement, Nanjing G14 Land Cooperation Agreement, Guangzhou Panyu Land Cooperation Agreement and Nanjing G09 Land Cooperation Agreement and the Capital Increase 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 25% but are less than 75%, the Previous Disposals and the Nanjing G16 Disposal constitute a major transaction of the Company and accordingly, the Nanjing G16 Disposal is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Guangzhou Panyu Deemed Disposal has been completed while the Nanjing G14 Deemed Disposal and the Nanjing G09 Deemed Disposal have not been completed yet. As a result of the completion of the Guangzhou Panyu Deemed Disposal, Shenzhen Lianxin has become a substantial shareholder of Guangzhou Yi Yun in which Shenzhen Lianxin holds 49% equity interest. Shenzhen Lianxin is wholly-owned by Shenzhen Luhong and indirectly controlled by Ping An Real Estate. Since Nanjing Xingsheng, Guangzhou Yi Yun and Nanjing Ningsheng, no matter considered individually or on an aggregate basis, constitute insignificant subsidiaries of the Company as defined under Chapter 14A of the Listing Rules, Shenzhen Luhong, Shenzhen Lianxin and Ping An Real Estate have not and will not become connected persons of the Company as a result of the Guangzhou Panyu Deemed Disposal, the Nanjing G14 Deemed Disposal and the Nanjing G09 Deemed Disposal. Therefore, the entering into of the Nanjing G16 Land Cooperation Agreement by the Group and the Nanjing G16 Disposal contemplated thereunder do not constitute a connected transaction under Chapter 14A of the Listing Rules.

As no Shareholder has a material interest in the Nanjing G16 Disposal, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Nanjing G16 Disposal. As at the Latest Practicable Date, Success Well directly owns an aggregate of 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, Success Well had given a written shareholder's approval for the Nanjing G16 Land Cooperation Agreement and the Nanjing G16 Disposal. Accordingly, such written approval will be accepted in writing in lieu of a general meeting to approve the Nanjing G16 Land Cooperation Agreement and the Nanjing G16 Disposal. Therefore, no general meeting will be held to approve the same and this circular containing details of the Nanjing G16 Disposal and further information as required under the Listing Rules are provided for Shareholders' information only.

Based on the available information as at the Latest Practicable Date, the Conditional Repurchase constitutes a discloseable transaction under Chapter 14 of the Listing Rules. In the event that the actual consideration for the Conditional Repurchase results in it falling within a higher classification of notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the additional requirements under the Listing Rules as and when appropriate.

As at the Latest Practicable Date, Cyber Light has only paid the Deposit equivalent to 20% of the G16 Land Acquisition Consideration, i.e., US\$38.68 million (equivalent to approximately RMB237.8 million) and the transfer of the ownership in the Nanjing G16 Land has not been completed yet. According to the land transfer confirmation letter obtained by Cyber Light from the land resources authority of Nanjing City in respect of the Nanjing G16 Land, the transfer of the ownership in Nanjing G16 Land would only be completed and the relevant land use right certificate would only be granted to Cyber Light after the G16 Land Acquisition Consideration is fully settled by Cyber Light. In addition, the Deposit is below 1% of the Group's unaudited consolidated total assets as at 30 June 2014. Accordingly, a valuation report on the interest of Nanjing G16 Land is not required to be contained in this circular under Chapter 5 of the Listing Rules.

Yours faithfully,
For and on behalf of the Board
China Merchants Land Limited
He Jianya
Chairman

1. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 August 2014, being the most recent practicable date for the purpose of the statement of indebtedness, the borrowings and loans of the Group were shown as below:

	31 August 2014
	<i>RMB'000</i>
Bank and other borrowings	5,680,862
Bonds payable	3,031,132
Amounts due to an intermediate holding company	1,485,567
Loans from equity holders	<u>746,377</u>
Total	<u><u>10,943,938</u></u>
Secured	–
Unsecured	<u>10,943,938</u>
Total	<u><u>10,943,938</u></u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	3,880,798
More than one year, but not exceeding two years, disclosed as non-current liabilities	3,556,008
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>3,507,132</u>
Total	<u><u>10,943,938</u></u>

Contingent Liability

As at 31 August 2014, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB786.85 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, dividend payable and normal trade payables in the normal course of business at the close of business on 31 August 2014, the Group did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital or other similar indebtedness, guarantee, liabilities under

acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at 31 August 2014, the Group has cash and bank balances of RMB6,045.82 million and aggregate borrowings of RMB1,485.57 million which were unsecured, interest free, and repayable on demand. The Group's monetary transactions and deposits are mainly in the form of HK\$, US\$ and RMB. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

As at 31 August 2014, the capital structure of the Group consists of net debts, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

During the period from 1 September 2014 to the Latest Practicable Date, the Group repaid RMB1,239.52 million for the amount due to intermediate holding company. Save as aforesaid, the Directors have confirmed that there has been no other material change in the indebtedness or any contingent liabilities of the Group since 31 August 2014.

Pledge of Assets

As at 31 August 2014, the Group did not have any charges on its property, plant and equipment or properties under development for sale.

2. WORKING CAPITAL

Taking into account the expected completion of the Nanjing G16 Disposal in October 2014, and the financial resources available to the Group, including the available banking facilities, other financial resources available and cash flow from its operations, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the remaining of 2014, in order to better implement the classified readjustment and control measures put forward by The National People's Congress and Chinese People's Political Consultative Conference, more local authorities will withdraw their limited property purchase policies. In respect of mortgage loans, although credit conditions may not be drastically relaxed, constraints from the tight capital market will be eased through the PRC central government's promotion of various "mini-stimulus" measures. Faced with financial pressure, property developers will adopt more flexible sales strategies to accelerate the sell-through of properties. In particular, as governmental policies become more stable and favorable, it will be rational for property developers to cut prices in order to boost sales volume. As a result, it is expected that the property market will gradually improve.

In the second half of 2014, the Company expected the additional GFA of the projects which can meet the pre-sales conditions amounted to approximately 1,250,000 sq.m. The Group will be able to tackle the challenges ahead by grabbing the market opportunities arising from the favourable policies, strengthening its operational management and control and accelerating its sales and realization of return.

Meanwhile, the Group will continue to pay attention to the change of customers' needs, to optimize its project portfolios and types of product, to develop a model which can create synergy for its operations and financing strategies and to explore opportunities for overseas developments. The Group endeavors to increase its capital utilization efficiency to create value for shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage (%) in the issued share capital of the Company
Dr. So Shu Fai	Interest of controlled corporations (Note)	32,054,066 (L)	0.65%

Note:

These shares were directly held by Skill China Limited (“Skill China”). Skill China is wholly-owned by Fortune Alliance Group Limited. Joint Profit Limited owned 90% equity interest in Fortune Alliance Group Limited. Fortune Alliance Group Limited is in turn controlled for the purpose of Part XV of the SFO by Joint Profit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence, by virtue of Part XV of the SFO, Dr. So Shu Fai is deemed to be interested in the shares directly held by Skill China. Skill China, Fortune Alliance Group Limited and Joint Profit Limited are companies incorporated in the British Virgin Islands with limited liability.

Long positions in underlying shares of associated corporation

Name of Director	Nature of interest	Number of underlying Shares involved	Approximate percentage (%) in the associated corporation
Mr. Xian Yaoqiang	Beneficial owner	296,900 (<i>Note</i>)	0.01%
Mr. Liu Zhuogen	Beneficial owner	168,300 (<i>Note</i>)	0.01%
Mr. Yu Zhiliang	Beneficial owner	118,200 (<i>Note</i>)	0.01%
Mr. He Jianya	Beneficial owner	641,600 (<i>Note</i>)	0.02%
Ms. Wu Zhenqin	Beneficial owner	364,500 (<i>Note</i>)	0.01%
Ms. Liu Ning	Beneficial owner	259,100 (<i>Note</i>)	0.01%

Note:

These are the underlying shares involved in the share options granted by CMPD (a controlling Shareholder indirectly holding 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. Xian Yaoqiang, Mr. Liu Zhuogen, Mr. Yu Zhiliang, Mr. He Jianya, Ms. Wu Zhenqin and Ms. Liu Ning.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Directors' employment with substantial Shareholders

As at the Latest Practicable Date, the following Directors was a director or employee in the following companies, each of which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Liu Zhuogen, an executive Director, was a director of Eureka Investment Company Limited, a wholly-owned subsidiary of CMPD;
- (b) Mr. Xian Yaoqiang, an executive Director, was the general manager assistant of CMPD and the general manager of South-West regional general headquarters of CMPD;
- (c) Mr. He Jianya, a non-executive Director, was a director and the general manager of CMPD;
- (d) Ms. Wu Zhenqin, a non-executive Director, was the chief financial officer of CMPD; and
- (e) Ms. Liu Ning, a non-executive Director, was the board secretary of CMPD.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or controlling Shareholders (as defined in the Listing Rules) and their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

5. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

6. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. GENERAL

- (a) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The company secretary of the Company is Ms. Chan Wing Yan. Ms. Chan graduated from The City University of Hong Kong with a bachelor's degree in accounting in July 2002. She has been a member of the Hong Kong Institute of Certified Public Accountants since December 2008 and a member of the Association of Chartered Certified Accountants of the United Kingdom since August 2006.
- (c) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company is at Room 1701, 17/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.
- (d) The branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) Nanjing G16 Land Cooperation Agreement;
- (b) Nanjing G09 Land Cooperation Agreement and the Capital Increase Agreement, as detailed in the announcement of the Company dated 22 August 2014;
- (c) Guangzhou Panyu Land Cooperation Agreement, as detailed in the announcement of the Company dated 31 July 2014;
- (d) Nanjing G14 Land Cooperation Agreement, as detailed in the announcement of the Company dated 31 July 2014;

- (e) a share purchase agreement dated 3 August 2014 entered into between Sino Action Investments Limited (“**Sino Action**”) (an indirect wholly-owned subsidiary of the Company) as purchaser, Shenzhen China Merchants Real Estate Co., Ltd. (“**Shenzhen China Merchants**”) (a wholly-owned subsidiary of CMPD as seller, and Merchants Property Development (Guangzhou) Ltd. (廣州招商房地產有限公司) (“**Merchants Property Development (Guangzhou)**”), pursuant to which Sino Action had conditionally agreed to acquire from Shenzhen China Merchants the 49% equity interest held by Shenzhen China Merchants in the issued share capital of Merchants Property Development (Guangzhou) for a consideration of approximately RMB1,212.77 million;
- (f) the trust deed dated 11 December 2013 between the Company as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (g) the agency agreement dated 11 December 2013 between the Company as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee, the registrar, the transfer agent, the principal paying agent, the pre-funding account bank and the LC proceeds account bank in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (h) the subscription agreement dated 4 December 2013 between the Company as the issuer and Industrial and Commercial Bank of China (Asia) Limited, Merrill Lynch International, DBS Bank Ltd., Barclays Bank PLC, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, ING Bank N.V., Singapore Branch, J.P. Morgan Securities plc, and UBS AG, Hong Kong Branch as the joint lead managers in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (i) the share purchase agreement entered into between the Company, Eureka Investment Company Limited (“**Eureka**”) and CMPD dated 24 April 2013 which was amended and supplemented on 22 September 2013, pursuant to which the Company has conditionally agreed to acquire, and Eureka has conditionally agreed to sell, (i) Eureka’s equity interest in the issued share capital of Harpen Company Limited (“**Harpen**”), Converge, Sino Action and Happy City Investments Limited (“**Happy City**”); and (ii) the shareholders’ loans outstanding and owing to Eureka by each of Sino Action, Happy City, Converge, Pride Oasis Limited (“**Pride Oasis**”), Cosmo City Limited (“**Cosmo City**”) and Harpen;

- (j) the placing agreement entered into between the Company, Eureka, CMPD, Goldman Sachs (Asia L.L.C. (“**Goldman Sachs**”), China Merchants Securities (HK) Co., Limited (“**CMS**”) and Citigroup Global Markets Inc. (“**Citigroup**”) (Goldman Sachs, CMS and Citigroup together, the “**Placing Agents**”) dated 9 October 2013, pursuant to which the Company has agreed to appoint the Placing Agents and the Placing Agents have agreed with the Company to use their best efforts to procure, as agents of the Company, purchasers to purchase not less than 939,760,297 new shares to be issued by the Company, and the Company has agreed to allot and issue to places procured by the Placing Agents such new shares;
- (k) the deed of assignment entered into between the Company, Eureka, Harvest Allied, Harpen, Converge, Sino Action, Happy City, Pride Oasis and Cosmo City on 1 November 2013, pursuant to which Eureka has agreed to assign to Harvest Allied Investments Limited (滙泰投資有限公司) all of the shareholder’s loans due and owing to Eureka by each of Sino Action, Happy City, Converge Holdings Limited, Pride Oasis, Cosmo City and Harpen;
- (l) the indemnity agreement entered into between the Company and CMPD on 19 June 2013 which was amended and supplemented on 4 October 2013, pursuant to which CMPD shall indemnify the Company against any losses and expenses arising out of or in connection with various non-compliance matters of Harpen, Converge, Sino Action and Happy City;
- (m) the non-competition deed entered into between the Company and CMPD on 19 June 2013 which was amended and supplemented on 4 October 2013 in relation to, among other things, business delineation matters and principles for managing potential competition;
- (n) a share transfer agreement entered into between Eureka and Sino Action on 25 March 2013, pursuant to which Eureka transferred its 21% equity interest in Merchants Property Development (Guangzhou) to Sino Action at a consideration of RMB288,028,205.1 to be paid in Hong Kong dollar;
- (o) a share transfer agreement entered into between Eureka and Happy City on 25 March 2013, pursuant to which Eureka transferred its 51% equity interest in Merchants Nanjing Real Estate Co., Ltd. (招商局地產(南京)有限公司) to Happy City at a consideration of RMB113,177,828.3 to be paid in Hong Kong dollar;
- (p) a share transfer agreement entered into between Eureka and Converge on 27 March 2013, pursuant to which Converge transferred its 100% equity interest in Sino Action to Eureka at a consideration of HK\$100;
- (q) a share transfer agreement entered into between Eureka and Converge on 27 March 2013, pursuant to which Converge transferred its 100% equity interest in Happy City to Eureka at a consideration of HK\$100;

- (r) a share transfer agreement entered into between Eureka and Sino Action on 23 April 2013, pursuant to which Eureka transferred its 50% equity interest in Foshan Merchants Wharf Property Development Co., Ltd. (佛山招商九龍倉房地產有限公司) to Sino Action at a consideration of US\$54,949,000 or an equal amount in Hong Kong dollar;
- (s) a share transfer agreement entered into between Foshan Jin Cheng Frozen Food Co., Ltd. (佛山市金城速凍食品有限公司) (as transferor) and Merchants Property Development (Guangzhou) (as transferee), pursuant to which the transferor transferred its 34.5% equity interest in Foshan Kai Da Cheng to the transferee at a consideration of RMB71,097,000; and
- (t) a share transfer agreement entered into between Guangdong New Nanda Cable Industrial Co., Ltd. (廣東新南達電纜實業有限公司) (as transferor) and Merchants Property Development (Guangzhou) (as transferee), pursuant to which the transferor transferred its 16.5% equity interest in Foshan Kai Da Cheng to the transferee at a consideration of RMB34,003,000.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company at Room 1701, 17/F, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including 5 November 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the Nanjing G16 Land Cooperation Agreement;
- (c) the letter from the Board, the text of which is set out on pages 5 to 11 of this circular;
- (d) the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 and for the nine months ended 31 December 2012;
- (e) the annual reports of the Company for the years ended 31 December 2012 and 2013;
- (f) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (g) a copy of the circular of the Company dated 25 August 2014; and
- (h) a copy of this circular.

1. ANNOUNCEMENT OF THE COMPANY DATED 31 JULY 2014**DISCLOSEABLE TRANSACTIONS: DEEMED DISPOSALS OF EQUITY INTERESTS IN, AND SHAREHOLDER'S LOANS TO, SUBSIDIARIES AND GRANT OF PUT OPTION****COOPERATION AGREEMENTS**

The Board is pleased to announce that on 20 June 2014, Merchants Nanjing, a non wholly-owned subsidiary of the Company, entered into the Nanjing G14 Land Cooperation Agreement with Nanjing Qianjia and Shenzhen Luhong pursuant to which each of Merchants Nanjing, Nanjing Qianjia and Shenzhen Luhong will subscribe for a portion of the capital increase in the registered capital of Nanjing Xingsheng, and Shenzhen Luhong will provide a shareholder's loan to Nanjing Xingsheng for the purpose of repaying part of the shareholder's loan previously made by Merchants Nanjing.

The Board further announces that on 31 July 2014, Merchants Guangzhou, a non wholly-owned subsidiary of the Company, and Guangzhou Yi Yun, a project company wholly-owned by Merchants Guangzhou, entered into the Guangzhou Panyu Land Cooperation Agreement with Shenzhen Lianxin pursuant to which each of Merchants Guangzhou and Shenzhen Lianxin will subscribe for a portion of the capital increase in the registered capital of Guangzhou Yi Yun and Shenzhen Lianxin will provide a shareholder's loan to Guangzhou Yi Yun for the purpose of repaying part of the shareholder's loan previously made by Merchants Guangzhou.

As a result of the Deemed Disposals, there will be a net cash inflow amounted to approximately RMB796 million to the Group.

Under the Guangzhou Panyu Land Cooperation Agreement, Merchants Guangzhou has granted Shenzhen Lianxin a Put Option so that subject to and upon the Put Option Condition has been satisfied, Shenzhen Lianxin may require Merchants Guangzhou to purchase from Shenzhen Lianxin all of its equity interest in Guangzhou Yi Yun at a price to be determined by reference to a valuation to be carried out by an independent professional valuer of the underlying assets of Guangzhou Yi Yun as at the date when the Put Option condition is satisfied or, if such date cannot be determined, the date of giving of the Put Option notice. No premium will need to be paid in connection with the grant of the Put Option.

LISTING RULES IMPLICATIONS

Each of Nanjing Xingsheng and Guangzhou Yi Yun is a project company for the development of real estate projects on the Nanjing G14 Land and Guangzhou Panyu Land, respectively. As at the date of this announcement, Nanjing Xingsheng is owned as to 70% by Merchants Nanjing and 30% by Nanjing Qianjia. Guangzhou Yi Yun is owned as to 100% by Merchants Guangzhou. Upon completion of the Deemed Disposals, the equity interest of Merchants Nanjing in Nanjing Xingsheng and the equity interest of Merchants Guangzhou in Guangzhou Yi Yun will both be diluted to 51%. Therefore, each of the transactions contemplated under the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement constitutes a deemed disposal of the Group's equity interest in Nanjing Xingsheng and Guangzhou Yi Yun respectively under Rule 14.29 of the Listing Rules.

The Nanjing G14 Deemed Disposal itself did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, as Shenzhen Lianxin is wholly-owned by Shenzhen Luhong and they are indirectly controlled by Ping An Real Estate, the relevant investment amounts to be contributed by Shenzhen Luhong and Shenzhen Lianxin, will be aggregated as required under Rule 14.22 and Rule 14.23 of the Listing Rules and the relevant applicable percentage ratios (defined under the Listing Rules) exceed 5% but are less than 25%. Therefore, the Deemed Disposals, on an aggregate basis, constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

For the purpose of Rule 14.74 of the Listing Rules, the Put Option, the exercise of which is at the discretion of Shenzhen Lianxin, is classified as if the Put Option had been exercised upon its grant. Based on the available information as at the date of this announcement, the grant of the Put Option, which is considered as if it had been exercised upon its grant, constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules as and when appropriate should Shenzhen Lianxin exercise the Put Option.

Upon completion of the Deemed Disposals, each of Nanjing Xingsheng and Guangzhou Yi Yun will remain a subsidiary of the Company.

INTRODUCTION

On 20 June 2014, Merchants Nanjing entered into the Nanjing G14 Land Cooperation Agreement. On 31 July 2014, Merchants Guangzhou entered into the Guangzhou Panyu Land Cooperation Agreement. The principal terms of each of the two agreements are set out below.

1. NANJING G14 LAND COOPERATION AGREEMENT

Date

20 June 2014

Parties

- (a) Merchants Nanjing, a company established in the PRC with limited liability and 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;
- (b) Nanjing Qianjia, a company established in the PRC with limited liability and currently a shareholder of Nanjing Xingsheng in which it holds 30% equity interest. The principal business of Nanjing Qianjia is investment management. To the best of the Directors' knowledge after due enquiry, Nanjing Qianjia and its ultimate beneficial owners are all Independent Third Parties; and
- (c) Shenzhen Luhong, a company established in the PRC with limited liability. The principal business of Shenzhen Luhong is investment management. To the best of the Directors' knowledge after due enquiry,
 - (i) Shenzhen Luhong is indirectly controlled by Ping An Real Estate; and
 - (ii) Shenzhen Luhong and Ping An Real Estate and their ultimate beneficial owners are all Independent Third Parties.

Basic information of Nanjing G14 Land Project and Nanjing Xingsheng

As announced by the Company on 9 April 2014, Merchants Nanjing had successfully bided the Nanjing G14 Land, i.e., a piece of land situated at east of 7th Guihuajing Road, Jiangning Airport Industrial District, Nanjing (南京市江寧空港開發區規劃經七路以東), for a total consideration of RMB578 million on 3 April 2014. The Nanjing G14 Land has a total site area of 110,872 sq.m., its permitted plot ratio is 1.44 and is designated for Type 2 housing and elementary community centre purpose with a term of usage for 70 years. As at 20 June 2014, the total consideration for the acquisition of the Nanjing G14 Land of RMB578 million has been paid in full to the Nanjing City State-owned Land Resources Bureau and had been contributed by Merchants Nanjing and Nanjing Qianjia at the ratio of 70:30, with RMB30 million out of which having been contributed in the form of registered capital of Nanjing Xingsheng and the remaining RMB548 million having been contributed in the form of shareholder's loans, i.e., RMB383.6 million by Merchants Nanjing ("Merchants Nanjing Shareholder's Loan") and RMB164.4 million by Nanjing Qianjia.

Nanjing Xingsheng is a project company specifically established in the PRC on 28 May 2014 for the construction and development of the real estate project on the Nanjing G14 Land. Nanjing Xingsheng currently has a registered capital of RMB30 million and is held as to 70% by Merchants Nanjing and as to 30% by Nanjing Qianjia. According to its unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC, Nanjing Xingsheng's unaudited profit before taxation and extraordinary items for the period since its incorporation date up to 30 June 2014 was approximately RMB5,000.

The unaudited consolidated total assets value and the net asset value of Nanjing Xingsheng as at 30 June 2014 according to its unaudited management accounts are RMB598.2 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 G14 Land Cooperation Agreement, the registered capital of Nanjing Xingsheng will increase from RMB30 million to RMB50 million, and Shenzhen Luhong shall invest RMB113.6 million, which is equal to the aggregate of 19% of the total consideration for acquisition of the Nanjing G14 Land as at 20 June 2014, through subscribing for capital increase of Nanjing Xingsheng and the provision of shareholder's loan by Shenzhen Luhong to Nanjing Xingsheng in proportion to its equity interest in Nanjing Xingsheng.

(a) Capital increase in Nanjing Xingsheng

The registered capital of Nanjing Xingsheng will increase from RMB30 million to RMB50 million. The subscription of the additional registered capital and the percentage equity interest in Nanjing Xingsheng of Merchants Nanjing, Nanjing Qianjia 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	21	70	4.5	25.5	51
Nanjing Qianjia	9	30	6	15	30
Shenzhen Luhong	-	-	9.5	9.5	19
Total	30	100	20	50	100

(b) Shareholder's loans to Nanjing Xingsheng

Shenzhen Luhong shall provide a shareholder's loan of RMB104.1 million ("**Shenzhen Luhong Shareholder's Loan**") to Nanjing Xingsheng which shall be fully applied to repay part of the shareholder's loan provided by Merchants Nanjing to Nanjing Xingsheng. As result, the shareholder's loan provided by Merchants Nanjing to Nanjing Xingsheng will be reduced from RMB383.6 million to RMB279.5 million.

Nanjing G14 Financing Cost Reimbursement

When Shenzhen Luhong pays the Shenzhen Luhong Shareholder's Loan, it shall also make a reimbursement of financing costs ("**Nanjing G14 Financing Reimbursement Cost**") to Merchants Nanjing which shall be calculated as follows:

"Nanjing G14 Financing Reimbursement Cost"

= (Shenzhen Luhong Shareholder's Loan + Shenzhen Luhong's contribution to the additional registered capital) x PBOC Prevailing Interest Rate x D/360

= RMB113.62 million x PBOC Prevailing Interest Rate x D/360

"D"

= number of days commencing from and inclusive of the day of payment of the consideration for acquisition of the Nanjing G14 Land by Merchants Nanjing up to but exclusive of the day of repayment of the amount equivalent to Shenzhen Luhong Shareholder's Loan to Merchants Nanjing

Conditions precedent to Nanjing G14 Land Cooperation Agreement

Within 30 business days after the entering into of the Nanjing G14 Land Cooperation Agreement, Nanjing Xingsheng shall engage an independent professional valuer to carry out a valuation of the assets of Nanjing Xingsheng. It shall be a condition precedent to the obligations of the parties under the Nanjing G14 Land Cooperation Agreement that (i) all of them have agreed to accept the valuation results in writing; and (ii) Merchants Nanjing has completed its internal approval and filing procedures with China Merchants Group Limited.

2. GUANGZHOU PANYU LAND COOPERATION AGREEMENT

Date

31 July 2014

Parties

- (a) Merchants Guangzhou, a company established in the PRC with limited liability and owned as to 30% equity interest by Converge Holdings Limited and 21% equity interest by Sino Action Investments Limited, both are wholly-owned subsidiaries of the Company. The principal business of Merchants Guangzhou is property development;
- (b) Shenzhen Lianxin, a company established in the PRC with limited liability. The principal business of Shenzhen Lianxin is investment management. To the best of the Directors' knowledge after due enquiry, (i) Shenzhen Lianxin is wholly-owned by Shenzhen Luhong and indirectly controlled by Ping An Real Estate; and (ii) Shenzhen Lianxin and Ping An Real Estate and their ultimate beneficial owners are all Independent Third Parties; and
- (c) Guangzhou Yi Yun is a company established in the PRC with limited liability and wholly-owned by Merchants Guangzhou. The principal business of Guangzhou Yi Yun is property development.

Basic information of Guangzhou Panyu Land Project and Guangzhou Yi Yun

As announced by the Company on 10 February 2014, Merchants Guangzhou had entered into a State-owned Land Use Rights Grant Agreement (國有建設用地使用權出讓合同) for the land use right of the land parcel in Guangzhou City, Guangdong Province, the PRC, for a total consideration of RMB1,460 million on 28 January 2014. The Guangzhou Panyu Land is situated at Huambo Business District, Nancun Town, Panyu District, Guangzhou (廣州市番禺區南村鎮萬博商務區). Guangzhou Panyu Land has a total site area of 17,779 sq.m., its permitted plot ratio is not more than 5.7 and is designated for wholesale and retail usage, accommodation and dining usage, business and financial usage and other commercial usage. The term for the above usages is 40 years.

The total consideration for the acquisition of the Guangzhou Panyu Land of RMB1,460 million has been paid in full to the Guangzhou City State-owned Land Resources Bureau.

Guangzhou Yi Yun is a project company specifically established in the PRC on 28 February 2014 for the construction and development of the real estate project on the Guangzhou Panyu Land. Guangzhou Yi Yun currently has a registered capital of RMB10 million and is held as to 100% by Merchants Guangzhou. Merchants Guangzhou has provided a shareholder loan to Guangzhou Yi Yun in the aggregate amount of RMB1,503.8 million.

According to its unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC, Guangzhou Yi Yun's unaudited loss before taxation and extraordinary items for the period since its incorporation date up to 30 June 2014 was approximately RMB200.

The unaudited consolidated total assets value and the net asset value of Guangzhou Yi Yun as at 30 June 2014 according to its unaudited management accounts are RMB1,514.8 million and RMB10 million respectively.

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

Pursuant to the terms of the Guangzhou Panyu Land Cooperation Agreement, the registered capital of Guangzhou Yi Yun will increase from RMB10 million to RMB100 million, and Shenzhen Lianxin shall invest RMB785.9 million in Guangzhou Yi Yun through subscription for additional registered capital of Guangzhou Yi Yun and provision of shareholder's loan by Shenzhen Lianxin to Guangzhou Yi Yun in proportion to its equity interest in Guangzhou Yi Yun.

(a) Capital increase in Guangzhou Yi Yun

The registered capital of Guangzhou Yi Yun shall increase from RMB10 million to RMB100 million. The subscription of the additional registered capital and the shareholding of Merchants Guangzhou and Shenzhen Lianxin in Guangzhou Yi Yun 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 Guangzhou	10	100	41	51	51
Shenzhen Lianxin	-	-	49	49	49
Total	10	100	90	100	100

(b) *Shareholder's loan to Guangzhou Yi Yun*

The parties agreed that Shenzhen Lianxin shall provide a shareholder's loan of RMB736.9 million to Guangzhou Yi Yun for the purpose of enabling Guangzhou Yi Yun to repay to Merchants Guangzhou a corresponding amount of shareholder's loan previously made by Merchants Guangzhou. Upon the provision of the shareholder's loan of RMB736.9 million ("**Shenzhen Lianxin Shareholder's Loan**") by Shenzhen Lianxin and with an equivalent amount being repaid to Merchants Guangzhou by Guangzhou Yi Yun, Merchants Guangzhou will continue to provide the remaining amount of RMB766.9 million of its shareholder's loan ("**Merchants Guangzhou Shareholder's Loan**") to Guangzhou Yi Yun. Since the date of provision of the shareholder loan by Shenzhen Lianxin ("**Lianxin Shareholder Loan Contribution Date**"), an interest at the rate of 10% above the PBOC Prevailing Interest Rate per annum will accrue on both the Lianxin Shareholder's Loan and the Merchants Guangzhou Shareholder's Loan.

The previous shareholder's loan of RMB1,503.8 million ("**Previous Merchants Guangzhou Shareholder's Loan**") provided by Merchants Guangzhou to Guangzhou Yi Yun shall also bear an interest at the same level of interest as that of the Lianxin Shareholder's Loan, i.e., 10% above the PBOC Prevailing Interest Rate per annum.

Conditions precedent for capital increase in Guangzhou Yi Yun

The obligations of both parties to contribute to the additional registered capital shall be subject to the following conditions precedent:

1. the state-owned land use right certificate issued by the relevant state-owned land resources authority in respect of the Guangzhou Panyu Land having been obtained;
2. all the documents contemplated under the Guangzhou Panyu Deemed Disposal having been signed by the parties;
3. Merchants Guangzhou having completed the valuation of the assets of Guangzhou Yi Yun and its filing of the valuation results with China Merchants Group Limited, and such results having been agreed by the parties; and
4. no material adverse change to the business operation and finance aspects of Guangzhou Yi Yun and no material violation of the terms of the Guangzhou Panyu Land Cooperation Agreement having occurred.

If any of the conditions precedent mentioned above is not satisfied by 31 August 2014, except if the reason for any condition precedent not having been satisfied is attributable to Shenzhen Lianxin, Shenzhen Lianxin shall have the right

to terminate the Guangzhou Panyu Land Cooperation Agreement by notice in writing to Merchants Guangzhou.

Guangzhou Financing Cost Reimbursement

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

"Guangzhou Financing Reimbursement Cost"

= RMB736.9 million (an amount equivalent to the Shenzhen Lianxin Shareholder's Loan) x 10% above the PBOC Prevailing Interest Rate x D1/360 x 30% above the PBOC Prevailing Interest Rate x D2/360

"D1"

= number of days since and inclusive of the day of provision of the Previous Merchants Guangzhou Shareholder's Loan up to but exclusive of the day of contribution of the Shenzhen Lianxin Shareholder's Loan

"D2"

= number of days since and inclusive of the day of provision of the Shenzhen Lianxin Shareholder's Loan up to but exclusive of the day of payment of the Guangzhou Financing Reimbursement Cost

The above payment of the Guangzhou Financing Reimbursement Cost shall be made by Guangzhou Yi Yun in its distribution of profit to Merchants Guangzhou and the same amount shall be deducted from the profit entitled to be received by Shenzhen Lianxin and be added to the profit entitled to be received by Merchants Guangzhou.

Put Option in Guangzhou Panyu Land Cooperation Agreement

Under the Guangzhou Panyu Land Cooperation Agreement, Merchants Guangzhou has granted Shenzhen Lianxin an option ("**Put Option**"), so that subject to and upon the sold gross floor area of the properties developed for sale in the Guangzhou Panyu Land Project has, in aggregate reached 95% of the total gross floor area for sale in the Guangzhou Panyu Land Project ("**Put Option Condition**"), based on the pre-sale contracts and/or sale and purchase contracts entered into with purchasers of the properties in the Guangzhou Panyu Land Project, Shenzhen Lianxin may by a notice in writing require Merchants Guangzhou to purchase from Shenzhen Lianxin all of its equity interest in Guangzhou Yi Yun at a price to be determined by a valuation to be carried out by an independent professional valuer of the underlying assets of Guangzhou Yi Yun as at the date when the Put Option Condition is satisfied or, if such date cannot be determined, the date of giving of the Put Option notice. No premium will need to be paid in connection with the grant of the Put Option.

REASONS FOR AND BENEFITS OF THE DEEMED DISPOSALS

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.

As a result of the Deemed Disposals, the total investment of the Group in the Nanjing G14 Land Project and the Guangzhou Panyu Land Project will be decreased by an aggregate amount of approximately RMB796 million. The decrease in total investment as a result of the Deemed Disposals and the cash income to be generated by the two projects 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 Board also considers that it would result in strategic cooperation with Ping An Real Estate by introducing of Ping An Real Estate which newly added a financing channel to the Group and strengthened the capital power of the Group, so that it could provide financial coverage for further development opportunities of the Group.

The terms of the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement have been arrived at after arm's length negotiations between the parties. The respective amount of contributions to be made by the relevant parties under the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement were agreed between the relevant parties by reference to their respective proportion of equity interests to be held by them in the project companies after completion of the capital increase.

The Directors are of the view that the terms of the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement and the Deemed Disposals contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

THE FINANCIAL IMPACT OF THE DEEMED DISPOSALS ON THE COMPANY

Upon completion of the Deemed Disposals, each of Nanjing Xingsheng and Guangzhou Yi Yun will remain a subsidiary of the Company. Accordingly, no expected gain or loss will be accrued to the Company as a result of the Deemed Disposals.

LISTING RULES IMPLICATIONS

Each of Nanjing Xingsheng and Guangzhou Yi Yun is a project company for holding the Nanjing G14 Land and Guangzhou Panyu Land, respectively. As at the date of this announcement, Nanjing Xingsheng is owned as to 70% by Merchants Nanjing and Guangzhou Yi Yun is owned as to 100% by Merchants Guangzhou. Upon completion of the Deemed Disposals, the equity interest of Merchants Nanjing in Nanjing Xingsheng and the equity interest of Guangzhou Merchants in Guangzhou Yi Yun will both be diluted to 51%. Therefore, each of the transactions contemplated under the Nanjing G14 Land Cooperation Agreement and the Guangzhou Panyu Land Cooperation Agreement constitute a deemed disposal of the Group's equity interest in Nanjing Xingsheng and Guangzhou Yi Yun respectively under Rule 14.29 of the Listing Rules.

The Nanjing G14 Deemed Disposals itself did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, as Shenzhen Lianxin is wholly-owned by Shenzhen Luhong and they are indirectly controlled by Ping An Real Estate, the relevant investment amounts to be contributed by Shenzhen Luhong and Shenzhen Lianxin will be aggregated pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules and the relevant applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%. Therefore, the Deemed Disposals, on an aggregate basis, constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under the Listing Rules.

For the purpose of Rule 14.74 of the Listing Rules, the Put Option, the exercise of which is at the discretion of Shenzhen Lianxin, is classified as if the Put Option had been exercised upon its grant. Based on the available information as at the date of this announcement, the grant of the Put Option, which is considered as if it had been exercised upon its grant, constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules as and should Shenzhen Lianxin exercise the Put Option.

DEFINITIONS

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

“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
“Deemed Disposals”	Nanjing G14 Deemed Disposal and Guangzhou Panyu Deemed Disposal
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“Guangzhou Panyu Deemed Disposal”	the transactions contemplated under the Guangzhou Panyu Land Cooperation Agreement including the deemed disposal of 49% equity interest in Guangzhou Yi Yun to Shenzhen Lianxin as a result of capital increase, provision of the Shenzhen Lianxin Shareholder’s Loan for repayment of part of Merchants Guangzhou Shareholder’s Loan and the payment of Guangzhou Financing Reimbursement Cost
“Guangzhou Panyu Land”	a piece of land situated at Huambo Business District, Nancun Town, Panyu District, Guangzhou (廣州市番禺區南村鎮萬博商務區) with a total site area of 17,779 sq.m.
“Guangzhou Panyu Land Cooperation Agreement”	a cooperation agreement dated 31 July 2014 entered into between Merchants Guangzhou, Shenzhen Lianxin and Guangzhou Yi Yun in respect of the subscription of additional registered capital in and provision of shareholder’s loans to Guangzhou Yi Yun, as a result of which Shenzhen Lianxin will be interested in 49% equity interest in Guangzhou Yi Yun
“Guangzhou Yi Yun”	廣州依雲房地產有限公司 (Guangzhou Yi Yun Property Development Limited*), a company established in the PRC for engaging in the construction and development of the real estate property project on the Guangzhou Panyu Land
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time

“Merchants Guangzhou”	廣州招商局地產有限公司 (Merchants Property Development (Guangzhou) Ltd.), a company established in the PRC and an indirect non wholly-owned subsidiary of the Company which is indirectly held as to 51% equity interest by the Company
“Merchants Nanjing”	招商局地產(南京)有限公司 (Merchants Nanjing Real Estate Co., Ltd.), a company established in the PRC and an indirect non wholly-owned subsidiary of the Company which is indirectly held as to 51% equity interest by the Company
“Nanjing G14 Deemed Disposal”	the transactions contemplated under the Nanjing G14 Land Cooperation Agreement including the deemed disposal of 19% equity interest in Nanjing Xingsheng to Shenzhen Luhong as a result of capital increase, provision of the Shenzhen Luhong Shareholder’s Loan for repayment of part of the Previous Merchants Nanjing Shareholder’s Loan and the payment of Nanjing G14 Financing Reimbursement Cost
“Nanjing G14 Land”	a piece of land situated at east of 7th Guihuajing Road, Jiangning Airport Industrial District, Nanjing (南京市江寧空港開發區規劃經七路以東) with a total site area of 110,872 sq.m.
“Nanjing G14 Land Cooperation Agreement”	a cooperation agreement dated 20 June 2014 entered into between Merchants Nanjing, Nanjing Qianjia and Shenzhen Luhong in respect of the subscription of additional registered capital in and provision of shareholder’s loans to Nanjing Xingsheng, as a result of which Shenzhen Luhong will be interested in 19% equity interest in Nanjing Xingsheng
“Nanjing Qianjia”	南京乾嘉投資有限公司 (Nanjing Qianjia Investment Company Limited*), a company established in the PRC and currently a shareholder of Nanjing Xingsheng as to 30% of its registered capital and a party to the Nanjing G14 Land Cooperation Agreement

“Nanjing Xingsheng”	南京招商興盛房地產有限公司 (Nanjing Merchants Xingsheng 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 G14 Land
“PBOC Prevailing Interest Rate”	the prevailing benchmark bank lending interest rate quoted by the People’s Bank of China (for one-year term)
“Ping An Real Estate”	平安不動產有限公司 (Ping An Real Estate Company Ltd.), a company established in the PRC with limited liability which indirectly controls Shenzhen Luhong and Shenzhen Lianxin
“PRC”	the People’s Republic of China which, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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)
“Shenzhen Lianxin”	深圳聯新投資管理有限公司 (Shenzhen Lianxin Investment and Management Company Limited*), a company established in the PRC and a party to the Guangzhou Panyu Land Cooperation Agreement
“Shenzhen Luhong”	深圳市陸虹投資管理有限公司 (Shenzhen City Luhong Investment and Management Company Limited*), a company established in the PRC and a party to the Nanjing G14 Land Cooperation Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 31 July 2014

2. ANNOUNCEMENT OF THE COMPANY DATED 22 AUGUST 2014**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”

- = 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