THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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: INVESTMENT IN NANJING DINGJIAZHUANG TRADING CO., LTD.*

* *For identification purpose only*

31 December 2018

CONTENTS

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

"Acquisition"	the acquisition of land use rights of the Land through public tender process
"Articles of Association"	the Articles of Association of the Project Company entered into on 8 October 2018 between Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center
"Board"	the board of Directors
"Capital Increase"	the proposed capital increase in the Project Company by Merchants Nanjing and Nanjing Zhaosheng via Public Tender, subject to and in accordance with the terms and conditions of the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association
"Capital Increase Agreement"	the Capital Increase Agreement dated 8 October 2018 entered into between Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center and the Project Company
"Chongqing Land Management Bureau"	Land and Resources Trading Centre, Chongqing City* (重慶聯合產權交易所集團股份有限公司土地和資源交易分中心)
"CMSK"	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979 (A share)), being the 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, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 978)
"Director(s)"	director(s) of the Company

"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
"Land"	a piece of land located at the east side of Yinchun Road, the west side of Yanxin Road, the south side of Feixue Road and the north side of Fendou Road, Qixia District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市棲霞區寅春路以東，燕新路以西，飛雪路以南，奮鬥路以北之地塊) with a total site area of 59,128.43 sq.m., designated for commercial usage with a term of 40 years
"Land Price"	RMB410,000,000, being the aggregate consideration payable for the Acquisition
"Latest Practicable Date"	27 December 2018, 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 as amended, supplemented or otherwise modified from time to time
"Loan Repayment Agreement"	the loan repayment agreement dated 8 October 2018 entered into between Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center and the Project Company, pursuant to which, among others the Project Company undertakes to repay the shareholder's loan provided by Nanjing Dingjiazhuang Logistics Center, within five working days upon receiving the Capital Contributions from Merchants Nanjing and Nanjing Zhaosheng
"Merchants Nanjing"	Merchants Nanjing Real Estate Co., Ltd.* (招商局地產（南京）有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company

"Nanjing Dingjiazhuang Logistics Center"	Nanjing Dingjiazhuang Logistics Center Co., Ltd.* (南京丁家莊物流中心有限責任公司), a company established in the PRC with limited liability, an Independent Third Party
"Nanjing Zhaosheng"	Nanjing Merchants Zhaosheng Property Development Limited* (南京招商招盛房地產有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Merchants Nanjing
"Percentage Ratios"	the "percentage ratios" as defined in rule 14A.10(10) of the Listing Rules
"PRC"	the People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Project Company"	Nanjing Dingjiazhuang Trading Co., Ltd.* (南京丁家莊商貿有限公司), a company established in the PRC with limited liability on 14 May 2013 by Nanjing Dingjiazhuang Logistics Center for the sole purpose of obtaining the land use rights of and developing the Land
"Public Tender"	the public tender process initiated by Nanjing Dingjiazhuang Logistics Center during the period of 4 July 2018 to 28 August 2018 on Nanjing Public Resources Trading Platform* (南京市公共資源交易平台), inviting equity investors to invest in the Project Company
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules

"Success Well"	Success Well Investments Limited, a limited liability company incorporated in the British Virgin Islands and 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
"Written Approval"	the written approval of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association) by Success Well dated 8 October 2018
"%"	per cent

* *Unofficial English translation denotes for identification purposes only*

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.

招商局置地有限公司
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(Incorporated with limited liability in the Cayman Islands)
(Stock Code: 978)

Board of Directors:	**Registered office:**
Non-executive Directors:	P.O. Box 309, Ugland House
XU Yongjun *(Chairman)*	Grand Cayman
HUANG Junlong	KY1-1104
LIU Ning	Cayman Islands
Executive Directors:	**Principal place of business in Hong Kong:**
SO Shu Fai	Room 2603–2606, 26/F
YU Zhiliang	China Merchants Tower
WONG King Yuen	Shun Tak Centre
Independent Non-executive Directors:	Nos. 168–200 Connaught Road Central
WONG Wing Kuen, Albert	Hong Kong
CHEN Yanping	
SHI Xinping	
HE Qi	

31 December 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION: INVESTMENT IN NANJING DINGJIAZHUANG TRADING CO., LTD.*

INTRODUCTION

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the Capital Increase Agreement, pursuant to which Merchants Nanjing and Nanjing Zhaosheng have agreed to invest in the Project Company by way of capital contributions for development of the Land through the Project Company.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) the details of the Capital Increase Agreement, the Loan Repayment Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Project Company; (iv) the unaudited pro forma financial information of the Group after the completion of the Capital Increase; and (v) the valuation report on the Project Company prepared by an independent property valuer.

CAPITAL INCREASE IN THE PROJECT COMPANY

On 8 October 2018, Merchants Nanjing (an indirect non wholly-owned subsidiary of the Company) and Nanjing Zhaosheng (a wholly-owned subsidiary of Merchants Nanjing) has succeeded in the bid offer by the Public Tender. Accordingly, on the same day, Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center and the Project Company entered into the Capital Increase Agreement, pursuant to which Merchants Nanjing and Nanjing Zhaosheng have agreed to invest in the Project Company by way of capital contributions in the respective amount of RMB356,560,000 and RMB178,280,000 for development of the Land through the Project Company. As at the date of the Capital Increase Agreement, Nanjing Dingjiazhuang Logistics Center holds 100% of the issued capital of the Project Company, which holds the land use right in respect of the Land. Upon completion of the Capital Increase Agreement, the shareholding of Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center in the Project Company shall be 40%, 20% and 40%, respectively.

Capital Increase Agreement

The principal terms of the Capital Increase Agreement are summarized as follows:

Date

8 October 2018

Parties

(a) Merchants Nanjing, an indirect non wholly-owned subsidiary of the Company;

(b) Nanjing Zhaosheng, a wholly-owned subsidiary of Merchants Nanjing;

(c) Nanjing Dingjiazhuang Logistics Center, a company established in the PRC with limited liability; and

(d) the Project Company, a wholly-owned subsidiary of Nanjing Dingjiazhuang Logistics Center as at the date of the Capital Increase Agreement.

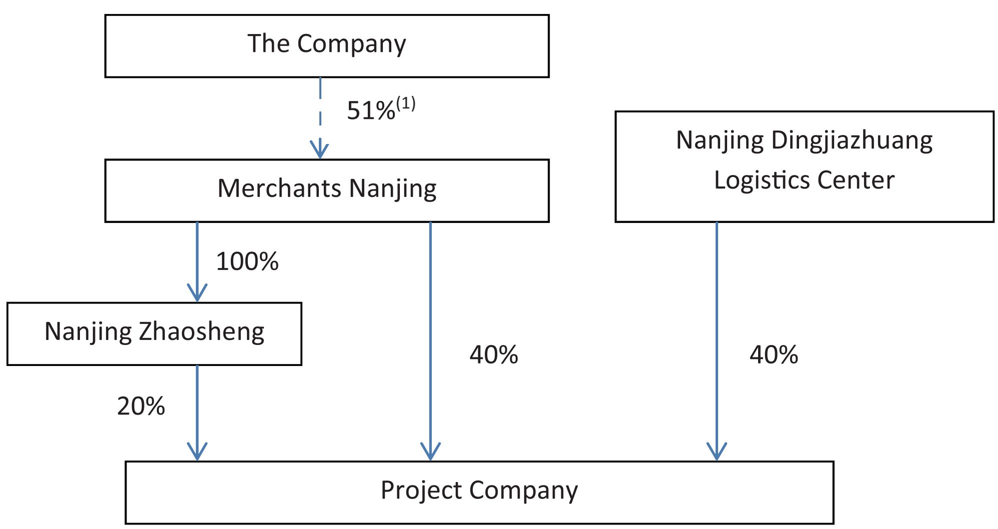
To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Nanjing Dingjiazhuang Logistics Center, the Project Company and their respective ultimate beneficial owners are Independent Third Parties.

Subject Matter

Pursuant to the Capital Increase Agreement, Merchants Nanjing and Nanjing Zhaosheng have agreed to invest in the Project Company by way of Capital Increase in the respective amount of RMB356,560,000 and RMB178,280,000 for development of the Land through the Project Company.

As at the date of the Capital Increase Agreement, Nanjing Dingjiazhuang Logistics Center holds 100% of the issued capital of the Project Company, which holds the land use right in respect of the Land. Upon completion of the Capital Increase Agreement, the shareholding of Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center in the Project Company shall be 40%, 20% and 40%, respectively.

Set out below is the shareholding structure of the Project Company immediately after the completion of the Capital Increase Agreement:



(1) The dotted line indicates indirect shareholdings

Capital Contributions

The total consideration payable by Merchants Nanjing and Nanjing Zhaosheng under the Capital Increase Agreement shall be approximately RMB356,560,000 and RMB178,280,000 respectively (the "**Capital Contributions**"), which comprises:

(1) RMB40,000,000 and RMB20,000,000, being the respective capital contribution by Merchants Nanjing and Nanjing Zhaosheng to the registered capital of the Project Company, upon which the registered capital of the Project Company shall increase from RMB40,000,000 (which was contributed by Nanjing Dingjiazhuang Logistics Center) to RMB100,000,000; and

(2) the remaining amount of RMB316,560,000 and RMB158,280,000, being the respective capital contribution by Merchants Nanjing and Nanjing Zhaosheng to the Project Company as capital reserve.

The Capital Contributions have been arrived at after arm's length negotiations between the parties and with reference to the total asset value of the Project Company as at 31 October 2017, as well as the proportion of equity interest in the Project Company to be held by each party after completion of the Capital Increase. Payment of the Capital Contributions will be funded by the Group's internal resources.

Subject to the terms and conditions of the Capital Increase Agreement, payment of the Capital Contributions shall be in cash and payable within ten working days upon the effective date of the Capital Increase Agreement.

Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center shall provide shareholder's loan to the Project Company in proportion to their respective shareholdings in the Project Company after the completion of Capital Increase when the capital required by the Project Company cannot be covered by its own bank loan or other financial resources.

Loan Repayment Agreement

Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center and the Project Company further entered into a Loan Repayment Agreement on 8 October 2018, pursuant to which within 5 working days upon receiving the Capital Contributions from Merchants Nanjing and Nanjing Zhaosheng, the Project Company shall repay Nanjing Dingjiazhuang Logistics Center in the amount of RMB530,878,333.18 which represents the shareholder's loan provided by Nanjing Dingjiazhuang Logistics Center to the Project Company for the Land Price, taxes and expenses related to the Acquisition.

To the extent that the capital required by the Project Company is not covered by its own bank loan or other financial resources, the shareholders of the Project Company shall provide shareholders' loans to the Project Company in proportion to their respective shareholdings in the Project Company. The estimated total investment in the Project Company will be approximately RMB3,619,646,180. The capital commitment to be made by Merchants Nanjing and Nanjing Zhaosheng (including the contribution to the registered capital of the Project Company and the shareholders' loans) will be approximately RMB1,447,858,472 and RMB723,929,236 respectively, which will be funded by the Group's internal resources.

Management of the Project Company

According to the Capital Increase Agreement and the Articles of Association, the Project Company shall provide that, except resolution(s) for transfer of shareholding of the Project Company requiring the unanimous consent of all shareholders at the general meeting, the remaining matters shall require the approval of shareholders of the Project Company representing more than two-third of voting rights of the Project Company at the general meeting.

The board of directors of the Project Company shall consist of five directors. Each of Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center shall nominate two directors, one director and two directors, respectively. The chairman of the board of directors of the Project Company (i.e. the legal representative) shall be a director nominated by Nanjing Dingjiazhuang Logistics Center.

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

Profit Distribution Arrangement of the Project Company

According to the Capital Increase Agreement and the Articles of Association, the shareholders of the Project Company shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.

PARTICULARS OF THE PROJECT COMPANY

The Project Company is a company established in the PRC with limited liability on 14 May 2013 and is principally engaged in property development business, which involves the development and construction of the Land located at the east side of Yinchun Road, the west side of Yanxin Road, the south side of Feixue Road and the north side of Fendou Road, Qixia District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市棲霞區寅春路以東，燕新路以西，飛雪路以南，奮鬥路以北之地塊). The Land has a total site area of 59,128.43 sq.m., designated for commercial usage with a term of 40 years.

No revenue and profit or loss has been recognised by the Project Company based on the audited financial information of the Project Company (prepared in accordance with the applicable financial reporting standards in the PRC, i.e. the Accounting Standards for Business Enterprises, for statutory audit purpose) for the two financial years ended 31 December 2017. Under the Accounting Standards for Business Enterprises, the sole director of the Project Company is of the opinion that the development expenditure (including interest expense payable to the immediate holding company of the Project Company but excluding the land cost and deed tax) could meet the conditions of capitalization and was recorded in inventory account in the statements of financial position of the Project Company.

The audited total asset and net asset value of the Project Company as at 31 December 2017 was approximately RMB502,377,700 and RMB40,000,000, respectively based on the audited financial information of the Project Company (prepared in accordance with the applicable financial reporting standards in the PRC, i.e. the Accounting Standards for Business Enterprises, for statutory audit purpose) for the financial year ended 31 December 2017.

FINANCIAL IMPACT

The Project Company shall not become a subsidiary of either Merchants Nanjing or Nanjing Zhaosheng. As a result, the financial results, assets and liabilities of the Project Company shall not be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

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

The terms of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association) have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

PARTICULARS OF THE PARTIES

Merchants Nanjing is a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

Nanjing Zhaosheng is a company established in the PRC with limited liability and a wholly-owned subsidiary of Merchants Nanjing. It is principally engaged in property development in the PRC.

Nanjing Dingjiazhuang Logistics Center is a company established in the PRC with limited liability and is principally engaged in property development in the PRC.

The Project Company is a company established in the PRC with limited liability and is principally engaged in property development of the Land.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association), the contribution to the registered capital of the Project Company and the shareholders' loans to be provided by Merchants Nanjing and Nanjing Zhaosheng exceed 25% but are less than 100%, the entering into of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association) constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting. So far as the Company is aware, none of the Shareholders is materially interested in the Capital Increase. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Capital Increase. As at the Latest Practicable Date, Success Well directly holds 3,646,889,329 Shares (representing approximately 74.35% of the total issued Shares). As the Company has obtained the Written Approval from Success Well, no extraordinary general meeting of the Company will be convened for the purpose of approving the Capital Increase pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that the terms of the Capital Increase Agreement and the Loan Repayment Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If an extraordinary general meeting were to be convened for the approval of the Capital Increase, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Capital Increase at such general meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
China Merchants Land Limited
XU Yongjun
Chairman

1. FINANCIAL RESULTS OF THE GROUP

Details of the audited financial results of the Group for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited financial results of the Group for the six months ended 30 June 2018 are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://ir.cmland.hk) in the following documents:

(i) for the year ended 31 December 2015, on pages 111 to 251 of the annual report of the Company for the year ended 31 December 2015 released on 22 March 2016 at http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0322/LTN20160322400.pdf;

(ii) for the year ended 31 December 2016, on pages 120 to 259 of the annual report of the Company for the year ended 31 December 2016 released on 5 April 2017 at http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0405/LTN20170405383.pdf;

(iii) for the year ended 31 December 2017, on pages 110 to 259 of the annual report of the Company for the year ended 31 December 2017 released on 4 April 2018 at http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0404/LTN201804041165.pdf; and

(iv) for the six months ended 30 June 2018, on pages 41 to 92 of the interim report of the Company for the six months ended 30 June 2018 released on 18 September 2018 at http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0918/LTN20180918302.pdf.

There was no qualified opinion issued for the audited financial results of the Group for the last three financial years.

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 October 2018, being the most recent practicable date for the purpose of the statement of indebtedness, the borrowings and loans of the Group prior to printing of this circular were shown as below:

	31 October 2018
	RMB'000
Bank and other borrowings	7,537,900
Bonds payable	3,429,248
Loans from an intermediate holding company	3,283,858
Loans from non-controlling equity holders of subsidiaries of the Enlarged Group	5,359,189
Total	19,610,285
Secured	586,586
Unsecured	19,023,699
Total	19,610,285
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	8,613,717
More than one year, but not exceeding two years, disclosed as non-current liabilities	851,887
More than two years, but not exceeding five years, disclosed as non-current liabilities	10,144,681
Total	19,610,285

Contingent Liabilities

As at 31 October 2018, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB2,987 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 October 2018, the Group did not have any other debt securities issued and outstanding or agreed to be issued, 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, debentures mortgages, charges, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at 31 October 2018, the Group had cash and bank balances of approximately RMB6,660 million. The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US$ and HK$. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities. As the bond was denominated in US$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US$ exchange rates and might consider hedging should the need arises.

As at 31 October 2018, 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. As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

Pledge of Assets

Save for properties for sale in Foshan and Nanjing with carrying value of approximately RMB1,183 million having been pledged to secure bank borrowings amounting to approximately RMB587 million granted to the Group as at 31 October 2018, the Group did not have any changes in pledge or charge on its assets including property, plant and equipment or properties under development for sale.

3. WORKING CAPITAL

Taking into account the effect of the Capital Increase and the transaction documents contemplated therein (including the Capital Increase Agreement, the Loan Repayment Agreement and the Articles of Association) and the present internal financial resources available to the Group, including cash and bank balances as well as the available facilities, the Directors are of the opinion that, the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Upon completion of the Capital Increase, the Project Company shall not become a subsidiary of either Merchants Nanjing or Nanjing Zhaosheng. As a result, the financial results, assets and liabilities of the Project Company shall not be consolidated into the accounts of the Group.

As mentioned under the paragraph headed "Reasons for and Benefits of the Transaction" in the Letter from the Board in this circular, the Directors believe that Merchants Nanjing and Nanjing Zhaosheng would benefit from the cooperation in order to exert their strengths, grasp market opportunities and enhance their investment portfolio in the property market in the PRC, which would improve the capital efficiency and effectiveness, reduce the investment risks and thus a greater return could be created for the Shareholders.

Nevertheless, as disclosed in the Company's interim report for the six months ended 30 June 2018, since the government of the PRC is expected to impose more stringent property control policies to stabilize housing prices, the Group will keep an eye on the market condition and adhere to its principle of "sustaining intensive engagement and innovative development" by leveraging on the abundant inventory resources of China Merchants Group Limited ("**CMG**") and CMSK and fully capitalizing on the advantages of overseas listing, so as to facilitate corporate transformation as well as active exploration and grasping of market opportunities.

The Group will continue to be 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 and meanwhile the Group will expedite its transformation, develop more light-assets business and establish a professional operating platform, in order to bring better returns to Shareholders.

The following is the text of a report, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF NANJING DINGJIAZHUANG TRADING CO., LTD. TO THE DIRECTORS OF CHINA MERCHANTS LAND LIMITED

Introduction

We report on the historical financial information of Nanjing Dingjiazhuang Trading Co., Ltd. (the "**Target Company**") set out on pages 19 to 38, which comprises the statements of financial position as at 31 December 2015, 2016, 2017 and 30 September 2018, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2017 and the nine months ended 30 September 2018 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 19 to 38 forms an integral part of this report, which has been prepared for inclusion in the investment circular of China Merchants Land Limited ("**CM Land**") dated 31 December 2018 (the "**Circular**") in connection with the proposed major acquisition of the Target Company.

Sole Director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of CM Land are responsible for the content of this Circular in which the Historical Financial Information of the Target Company is included, and such information is presented based on the accounting policies materially consistent with those of CM Land.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2015, 2016, 2017 and 30 September 2018 and of the Target Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2017 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of the Target Company is responsible for the preparation of the Stub Period Comparative Financial Information set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 19 have been made.

Dividend

We refer to Note 9 to the Historical Financial Information which states that no dividend has been declared or paid by the Target Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 December 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Bank interest income	40,007	32,140	368,014	356,664	841,881
Administrative expenses	(4,568,569)	(2,051,908)	(3,252,214)	(1,843,395)	(3,264,141)
Interest expense payable to its immediate holding company	(21,219,824)	(18,690,372)	(19,437,259)	(13,941,179)	(17,512,349)
Loss and total comprehensive expense for the year/period	(25,748,386)	(20,710,140)	(22,321,459)	(15,427,910)	(19,934,609)

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2015	2016	2017	2018
	NOTES	*RMB*	*RMB*	*RMB*	*RMB*
Non-current asset					
Property, plant and equipment	*10*	151,162	105,319	59,476	25,095
		151,162	105,319	59,476	25,095
Current assets					
Properties for development		422,300,000	422,300,000	422,300,000	422,300,000
Deposits and other receivables		274,116	113,598	63,861	6,192
Short-term bank deposits		38,000,000	37,000,000	32,000,000	20,000,000
Bank balances and cash		921,161	624,761	970,101	1,078,309
		461,495,277	460,038,359	455,333,962	443,384,501
Current liabilities					
Other payables		2,497,460	2,810,974	684,114	–
Amount due to immediate holding company	*11*	496,242,075	515,135,940	534,834,019	543,468,900
		498,739,535	517,946,914	535,518,133	543,468,900
Net current liabilities		(37,244,258)	(57,908,555)	(80,184,171)	(100,084,399)
Net liabilities		(37,093,096)	(57,803,236)	(80,124,695)	(100,059,304)
Capital and reserve					
Paid-in capital	*12*	40,000,000	40,000,000	40,000,000	40,000,000
Accumulated losses		(77,093,096)	(97,803,236)	(120,124,695)	(140,059,304)
Deficiency of equity		(37,093,096)	(57,803,236)	(80,124,695)	(100,059,304)

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB	*RMB*	*RMB*
At 1 January 2015	40,000,000	(51,344,710)	(11,344,710)
Loss and total comprehensive expense for the year	–	(25,748,386)	(25,748,386)
At 31 December 2015	40,000,000	(77,093,096)	(37,093,096)
Loss and total comprehensive expense for the year	–	(20,710,140)	(20,710,140)
At 31 December 2016	40,000,000	(97,803,236)	(57,803,236)
Loss and total comprehensive expense for the year	–	(22,321,459)	(22,321,459)
At 31 December 2017	40,000,000	(120,124,695)	(80,124,695)
Loss and total comprehensive expense for the period	–	(19,934,609)	(19,934,609)
At 30 September 2018	40,000,000	(140,059,304)	(100,059,304)
At 1 January 2017	40,000,000	(97,803,236)	(57,803,236)
Loss and total comprehensive expense for the period	–	(15,427,910)	(15,427,910)
At 30 September 2017 (unaudited)	40,000,000	(113,231,146)	(73,231,146)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
OPERATING ACTIVITIES					
Loss before taxation	(25,748,386)	(20,710,140)	(22,321,459)	(15,427,910)	(19,934,609)
Adjustments for:					
Depreciation of property, plant and equipment	45,843	45,843	45,843	34,381	34,381
Finance costs	21,219,824	18,690,372	19,437,259	13,941,179	17,512,349
Interest income	(40,007)	(32,140)	(368,014)	(356,664)	(841,881)
Operating cash flows before movements in working capital	(4,522,726)	(2,006,065)	(3,206,371)	(1,809,014)	(3,229,760)
Increase in properties under development	(12,300,000)	–	–	–	–
Decrease in other receivables	19,239	160,518	49,737	29,210	57,669
Increase (decrease) in other payables	47,121	313,514	(2,126,860)	(2,788,285)	(684,114)
Increase in amount due to immediate holding company	3,628,481	203,493	260,820	196,415	122,532
NET CASH USED IN OPERATING ACTIVITIES	(13,127,885)	(1,328,540)	(5,022,674)	(4,371,674)	(3,733,673)
CASH FROM AN INVESTING ACTIVITY					
Interest received	40,007	32,140	368,014	356,664	841,881
FINANCING ACTIVITIES					
Advance from immediate holding company	12,620,053	–	–	–	–
Interest paid to immediate holding company	–	–	–	–	(9,000,000)
CASH FROM (USED IN) FINANCING ACTIVITIES	12,620,053	–	–	–	(9,000,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(467,825)	(1,296,400)	(4,654,660)	(4,015,010)	(11,891,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	39,388,986	38,921,161	37,624,761	37,624,761	32,970,101
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD AND REPRESENTED BY					
Short-term bank deposits	38,000,000	37,000,000	32,000,000	33,000,000	20,000,000
Bank balances and cash	921,161	624,761	970,101	609,751	1,078,309
	38,921,161	37,624,761	32,970,101	33,609,751	21,078,309

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target Company was incorporated on 14 May 2013 and registered in the People's Republic of China (the "**PRC**"). Its immediate holding company is 南京丁家莊物流中心有限責任公司, a company incorporated in the PRC.

The Target Company engages in the business of property development. The address of the register office and the principal place of business of the Target Company is No.9 Yinchun Road, Maigaoqiao Venture Park, Maigaoqiao Street, Qixia District, Nanjing (南京市棲霞區邁皋橋街道邁皋橋創業園寅春路9號).

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Target Company.

The Target Company presented net liabilities of RMB100,059,304 as at 30 September 2018 which was mainly resulted from the amount due to immediate holding company.

The sole director of the Target Company has taken into account the capital injection agreement dated 8 October 2018 with an increase in capital of RMB534,840,000, the Target Company is able to meet its financial obligations to finance its operations in the coming twelve months from the end of reporting period. The Historical Financial Information of the Target Company has been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information of the Target Company for the Track Record Period, the Target Company has consistently applied Hong Kong Accounting Standards ("**HKAS**"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**HKFRSs**") which are effective for its accounting period beginning on 1 January 2018 throughout the Track Record Period except that the Target Company adopted HKFRS 9 "Financial Instruments" on 1 January 2018. The accounting policy for financial instruments under HKFRS 9 are set out in Note 3 below.

At the date of this report, the Target Company has not early applied the following new and amendments to HKFRSs and the new interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after a date to be determined

The sole director of the Target Company anticipates that the application of the new and amendments to HKFRSs and the new interpretation will have no material impact on the financial statements of the Target Company in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information had been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

The cost of properties under development for sale comprises the cost of land use rights, together with development expenditure, which includes construction costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit during the year/period. Taxable profit differs from loss before tax as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments (before the adoption of HKFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised in the statements of financial position when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regularly way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and other receivables, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of deposits and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the deposits and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables and amount due to immediate holding company) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Target Company derecognises a financial liability when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (under HKFRS 9)

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognised financial assets (including deposits and other receivables, short-term bank deposits and bank balances and cash) that are within the scope of HKFRS 9 are subsequently measured in their entirety at either amortised cost or fair value on the basis of the Target Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments at amortised cost

The Target Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Target Company's business model for managing the asset.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

At initial recognition of a financial asset, the Target Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Target Company reassess its business models each reporting period to determine whether business models have changed since the preceding period.

Impairment of financial assets

The Target Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including deposits and receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For deposits and other receivables, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Target Company or a contract that will or may be settled in the Target Company's own equity instruments and is a non-derivative contract for which the Target Company is or may be obligated to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Target Company's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities (including other payables and amounts due to immediate holding company) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in Note 3, the management of the Target Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value for properties for development

Properties for development at the end of the reporting period are stated at the lower of cost and net realisable value.

Net realisable value for properties for development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favourable than those projected by management, adjustments to the carrying value of properties for development may be required.

At 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the carrying values of properties for development are RMB422,300,000, RMB422,300,000, RMB422,300,000 and RMB422,300,000, respectively.

5. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Target Company is 25%.

The income tax expense for the year/period can be reconciled to the loss for the year/period as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Loss for the year/period	(25,748,386)	(20,710,140)	(22,321,459)	(15,427,910)	(19,934,609)
Tax at the PRC EIT rate of 25%	(6,437,097)	(5,177,535)	(5,580,365)	(3,856,977)	(4,983,652)
Tax effect of tax losses not recognised	6,437,097	5,177,535	5,580,365	3,856,977	4,983,652
Income tax expense	–	–	–	–	–

As at 31 December 2015, 2016 and 2017 and 30 September 2018, the Target Company has unused tax losses of RMB77,093,096, RMB97,803,236, RMB120,124,695 and RMB140,059,304, respectively available for offset against future profits. No deferred tax asset has been recognised on these unused tax losses due to the unpredictability of future profit streams and they will expire from 2018 to 2023.

6. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Liu, Xiaoqing is the sole director and chief executive officer of the Target Company since the date of incorporation. No director's emoluments and staff salaries were paid by the Target Company during the Track Record Period.

The five individuals with the highest emoluments in the Target Company do not include any director during the Track Record Period. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Salaries and allowances	817,081	216,403	378,159	284,115	212,878
Retirement benefit contributions	15,615	9,475	16,183	11,387	14,868
	832,696	225,878	394,342	295,502	227,746

Their emoluments individually were all below HK$1,000,000.

During the Track Record Period, no emoluments had been paid by the Target Company to the director of the Target Company or the five highest paid individuals as inducement to join the Target Company or as compensation for loss of office.

7. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Loss has been arrived at after charging (crediting):					
Auditors' remuneration	5,000	5,000	4,000	3,000	3,547
Directors' emoluments *(Note 6)*	–	–	–	–	–
Rental expenses	610,860	1,700	–	–	–
Depreciation of property, plant and equipment	45,843	45,843	45,843	34,381	34,381
Employee benefits expenses (including directors' remuneration)					
Salaries and other allowances	2,539,471	623,083	378,159	284,115	212,878
Pension scheme contributions	96,529	18,524	16,183	11,387	14,868
Total staff costs	2,636,000	641,607	394,342	295,502	227,746

8. EARNINGS PER SHARE

No earnings per share for The Track Record Period is presented as its inclusion is considered not meaningful for the purpose of this report.

9. DIVIDENDS

No dividend was paid or declared by the Target Company for the Track Record Period.

10. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	RMB
COST	
At 1 January 2015, 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018	241,279
DEPRECIATION	
At 1 January 2015	44,274
Provided for the year	45,843
At 31 December 2015	90,117
Provided for the year	45,843
At 31 December 2016	135,960
Provided for the year	45,843
At 31 December 2017	181,803
Provided for the period	34,381
At 30 September 2018	216,184
CARRYING VALUES	
At 30 September 2018	25,095
At 31 December 2017	59,476
At 31 December 2016	105,319
At 31 December 2015	151,162

The property, plant and equipment are depreciated on a straight-line basis over 5 years with 5% residual value.

11. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest bearing at the variable effective interest rates of 4.35% to 5.62%, 4.35%, 4.35% and 4.35% per annum and repayable on demand as at 31 December 2015, 2016 and 2017 and 30 September 2018, respectively. Pursuant to the relevant agreement, the balance of the amount due to immediate holding company are RMB496,242,000 (including interesting bearing part of RMB434,478,000 and non-interest bearing part of RMB61,764,000), RMB515,136,000 (including interesting bearing part of RMB434,681,000 and non-interest bearing part of RMB80,455,000), RMB534,834,000 (including interesting bearing part of RMB530,921,000 and non-interest bearing part of RMB3,913,000) and RMB543,469,000 (including interesting bearing part of RMB531,044,000 and non-interest bearing part of RMB12,425,000), respectively as at 31 December 2015, 2016 and 2017 and 30 September 2018.

12. PAID-IN CAPITAL

	Paid-in Capital
	RMB
Registered and paid-in capital	
At 1 January 2015, 31 December 2015, 2016 and 2017 and 30 September 2018	40,000,000

13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Target Company's statements of cash flows as cash flow from financing activities.

	Amount due to immediate holding company
	RMB
At 1 January 2015	458,773,717
Non-cash transaction – Expenses paid on behalf	3,628,481
Financing cash flows	12,620,053
Finance cost recognised	21,219,824
At 31 December 2015	496,242,075
Non-cash transaction – Expenses paid on behalf	203,493
Finance cost recognised	18,690,372
At 31 December 2016	515,135,940
Non-cash transaction – Expenses paid on behalf	260,820
Finance cost recognised	19,437,259
At 31 December 2017	534,834,019
Non-cash transaction – Expenses paid on behalf	122,532
Financing cash flows	(9,000,000)
Finance cost recognised	17,512,349
At 30 September 2018	543,468,900
At 1 January 2017	515,135,940
Non-cash transaction – Expenses paid on behalf	196,415
Finance cost recognised	13,941,179
At 30 September 2017 (unaudited)	529,273,534

14. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Target Company consists of amount due to immediate holding company, net of bank balances and cash and equity attributable to owners of the Company comprising paid-in capital net of accumulated losses.

The management of the Target Company reviews the capital structure periodically. The sole director of the Target Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the new share issues as well as the issue of new debts or the redemption of existing debts.

15. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB*
Financial assets				
Loans and receivables (including bank balances and cash)	39,098,119	37,688,359	33,033,962	–
Financial assets at amortised cost (including bank balances and cash)	–	–	–	21,079,169
	39,098,119	37,688,359	33,033,962	21,079,169
Financial liabilities				
Amortised cost	498,739,535	517,946,914	535,518,133	543,468,900

b. Financial risk management objectives and policies

The Target Company's financial instruments include deposits and other receivables, short-term bank deposits, bank balances and cash, other payables and amount due to immediate holding company. Details of these financial instruments are disclosed in respective notes.

The management of the Target Company monitors and manages the financial risks relating to the operations of the Target Company through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the Track Record Period. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Company is exposed to cash flow interest rate risk in relation to variable-rate amount due to immediate holding company. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB benchmark borrowing interest rates from People's Bank of China.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point increase or decrease in variable-rate amount due to immediate holding company are used represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's: post-tax profit for the Track Record Period would decrease/increase by RMB1,241,000, RMB1,288,000, RMB1,337,000 and RMB1,019,000 respectively. This is mainly attributable to the Company's exposure to interest rates on its variable-rate inter-company borrowings.

Bank deposits are excluded from sensitivity analysis as the sole director of the Target Company considers that the exposure of cash flow interest rate risk arising from variable rate bank deposits is insignificant. In management's opinion, the sensitivity analysis is unpresentative of the inherent interest rate risk as the year/period end exposure does not reflect the exposure during the relevant years/periods.

Credit risk

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

After adoption of HKFRS 9 as at 1 January 2018

Starting from 1 January 2018, the Target Company has assessed and concluded that the ECL rate for deposits and other receivables, short-term bank deposits and bank balances is immaterial under 12m ECL method based on the Target Company's assessment on the risk of the default of that counterparty. Thus, no loss allowance provision for deposits and other receivables, short-term bank deposits and bank balances was recognised during the nine months ended 30 September 2018.

From 1 January 2018 onwards, the Target Company applied ECL model upon adoption of HKFRS 9. The Target Company considers the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis.

To assess whether there is a significant increase in credit risk, the Target Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers available supportive forwarding looking information including below indicators:

- Internal credit rating based on historical information;
- Actual or expected significant changes in the operating results of the debtors; and
- Significant changes in the expected performance and behaviour of the debtors, include changes in the payment status of debtors

Liquidity risk

In the management of liquidity risk, the Target Company's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

In the opinion of the directors, the difference between the carrying amount of financial liabilities and the undiscounted cash flow based on the earliest date on which the Target Company can be required to pay is not significant and therefore, no further analysis is presented in the Historical Financial Information.

The financial liabilities (including other payables and amount due to immediate holding company) were repayable on demand.

16. SUBSEQUENT EVENTS

On 8 October 2018, Merchants Nanjing Real Estate Co., Ltd. ("**Merchants Nanjing**"), an indirect non wholly-owned subsidiary of CM Land and Nanjing Merchants Zhaosheng Property Development Limited ("**Nanjing Zhaosheng**"), a wholly-owned subsidiary of Merchants Nanjing has succeeded in the bid offer by a public tender. Accordingly, on the same day, Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center and the Target Company entered into a capital increase agreement (the "**Capital Increase Agreement**"), pursuant to which Merchants Nanjing and Nanjing Zhaosheng have agreed to invest in the Target Company by way of capital contributions in the respective amount of RMB356,560,000 and RMB178,280,000 for development of a piece of land (the "**Land**") through the Target Company. As at the date of the Capital Increase Agreement, Nanjing Dingjiazhuang Logistics Center holds 100% of the issued capital of the Target Company, which holds the land use right in respect of the Land. Upon completion of the capital increase, the shareholding of Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center in the Target Company shall be 40%, 20% and 40%, respectively. As at the date of report, the capital contribution had been completed.

17. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to the end of the Track Record Period.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL INCREASE

(I) Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Group after the completion of the Capital Increase

On 8 October 2018, Merchants Nanjing Real Estate Co., Ltd. ("**Merchants Nanjing**"), an indirect non wholly-owned subsidiary of the Company and Nanjing Merchants Zhaosheng Property Development Limited ("**Nanjing Zhaosheng**"), a wholly-owned subsidiary of Merchants Nanjing has succeeded in the bid offer by the Public Tender. Accordingly, Merchants Nanjing, Nanjing Zhaosheng, Nanjing Dingjiazhuang Logistics Center, an independent third party and Nanjing Dingjiazhuang Trading Co., Ltd. (the "**Project Company**") entered into the Capital Increase Agreement ("**Agreement**"), pursuant to which Merchants Nanjing and Nanjing Zhaosheng have agreed to invest in the Project Company by way of capital contributions in the respective amount of RMB356,560,000 and RMB178,280,000 for development of the Land through the Project Company. As at the date of the Agreement, Nanjing Dingjiazhuang Logistics Center holds 100% of the issued capital of the Project Company, which holds the land use right in respect of the Land. Upon completion of the capital increase, the shareholding of Merchants Nanjing, Nanjing Zhaosheng and Nanjing Dingjiazhuang Logistics Center in the Project Company shall be 40%, 20% and 40%, respectively.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of the completion of the capital increase on the basis of notes set out below for illustrating the effect of the capital increase, as if the capital increase had taken place on 30 June 2018 for the preparation of the unaudited pro forma statement of assets and liabilities of the Group.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Group would have been upon completion of the capital increase in any future periods or on any future dates.

The unaudited pro forma statement of assets and liabilities of the Group after the completion of the capital increase has been presented on a basis consistent with the accounting policies of the Group. It is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 as extracted from the unaudited condensed consolidated financial statements set out in the latest published interim financial information of the Group and after making pro forma adjustments to the transaction, as if the transaction had completed on 30 June 2018.

(II) Unaudited Pro Forma Statement of assets and liabilities of the Group after the Completion of the Capital Increase

Unaudited Pro Forma Statement of Assets and Liabilities of the Group

	The Group as at 30 June 2018	Pro forma Adjustment	Unaudited Adjusted Pro forma Total
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
NON-CURRENT ASSETS			
Property, plant and equipment	152,056	–	152,056
Investment properties	1,730,392	–	1,730,392
Goodwill	160,210	–	160,210
Interests in associates	322,417	–	322,417
Interests in joint ventures	1,829,553	534,840	2,364,393
Financial asset at fair value through profit or loss	18,750	–	18,750
Deferred tax assets	735,483	–	735,483
Deposit paid for acquisitions of investments	1,382,001	–	1,382,001
Other receivables	5,301,190	–	5,301,190
	11,632,052	534,840	12,166,892
CURRENT ASSETS			
Properties under development and for sale	38,761,442	–	38,761,442
Deposit paid for acquisitions of land use rights	474,015	–	474,015
Trade and other receivables	8,189,087	–	8,189,087
Prepaid tax	614,033	–	614,033
Derivative component of convertible bonds	5,872	–	5,872
Bank balances and cash	5,831,549	(534,840)	5,296,709
	53,875,998	(534,840)	53,341,158
CURRENT LIABILITIES			
Contract liabilities	10,889,858	–	10,889,858
Trade and other payables	12,854,625	–	12,854,625
Loans from equity holders – due within one year	5,108,546	–	5,108,546
Tax payable	463,913	–	463,913
Bank and other borrowings – due within one year	1,567,930	–	1,567,930
Bonds payables	3,289,756	–	3,289,756
	34,174,628	–	34,174,628
NET CURRENT ASSETS	19,701,370	(534,840)	19,166,530
TOTAL ASSETS LESS CURRENT LIABILITIES	31,333,422	–	31,333,422

	The Group as at 30 June 2018	Pro forma Adjustment	Unaudited Adjusted Pro forma Total
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
NON-CURRENT LIABILITIES			
Loans from equity holders – due after one year	4,118,756	–	4,118,756
Loans from a fellow subsidiary – due after one year	33,880	–	33,880
Bank and other borrowings – due after one year	4,940,822	–	4,940,822
Convertible bonds	133,655	–	133,655
Deferred tax liabilities	292,635	–	292,635
	9,519,748	–	9,519,748
NET ASSETS	21,813,674	–	21,813,674

Notes:

1. For the preparation of unaudited pro forma statement of assets and liabilities of the Group after the completion of the capital increase, the amounts are extracted from the latest published unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 of which no audit or review report has been published.

2. On 8 October 2018, the Group entered into the Capital Increase Agreement with Nanjing Dingjiazhuang Logistics Center and the Project Company pursuant to which the Group has agreed to invest in the Project Company by way of capital contributions in an aggregate amount of RMB534,840,000.

   The Group has the right to appoint three out of five directors in the board of the Project Company. The investment is accounted for as joint venture as decision making process about the relevant activities of the Project Company requires at least two-third approval in the board pursuant to the cooperation agreement.

   Assuming the capital increase was completed on 30 June 2018, the total consideration of the transaction would be RMB534,840,000.

3. No adjustment has been made to reflect the trading results or any other transaction of the Group entered into subsequent to 30 June 2018.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Merchants Land Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Merchants Land Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2018 and related notes as set out on pages 39 to 41 of the circular issued by the Company dated 31 December 2018 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 39 to 41 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the capital increase in the Nanjing Dingjiazhuang Trading Co., Ltd. by holding 60% of the registered capital of Nanjing Dingjiazhuang Trading Co., Ltd. after the capital injection on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 December 2018

(I) MANAGEMENT DISCUSSION AND ANALYSIS ON DINGJIAZHUANG

The management discussion and analysis of Nanjing Dingjiazhuang Logistics Center for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 are set out below.

Business Review and Prospects

The Project Company was incorporated on 14 May 2013 and registered in the People's Republic of China (the "**PRC**"). Its immediate holding company is Nanjing Dingjiazhuang Logistics Center, a company incorporated in the PRC. The Project Company engages in the business of property development.

Financial Review

Other income

Other income of Nanjing Dingjiazhuang Logistics Center mainly comprises bank interest income. Other income of Nanjing Dingjiazhuang Logistics Center for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 amounted to approximately RMB40,007, approximately RMB32,140, approximately RMB368,014 and approximately RMB841,881 respectively. The increase in other income of Nanjing Dingjiazhuang Logistics Center in the year of 2017 and 2018 was mainly due to the increase in bank interest income.

Administrative expenses

Administrative expenses of Nanjing Dingjiazhuang Logistics Center mainly comprise design fee, staff costs, depreciation and land use tax. For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, administrative expenses of Nanjing Dingjiazhuang Logistics Center amounted to approximately RMB4.6 million, approximately RMB2.1 million, approximately RMB3.3 million and approximately RMB3.3 million, respectively. The increase in administrative expenses of Nanjing Dingjiazhuang Logistics Center in the year of 2017 was mainly due to the increase of the design fee.

Finance costs

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, finance costs of Nanjing Dingjiazhuang Logistics Center amounted to approximately RMB21.2 million, approximately RMB18.7 million, approximately RMB19.4 million and approximately RMB17.5 million, respectively. The increase of finance costs from 2016 to 2018 was due to the increase of payable to the immediate holding company.

Loss and total comprehensive expenses

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, loss and total comprehensive expenses of Nanjing Dingjiazhuang Logistics Center amounted to approximately RMB25.7 million, approximately RMB20.7 million, approximately RMB22.3 million and approximately RMB19.9 million, respectively. The increase in loss and total comprehensive expenses of Nanjing Dingjiazhuang Logistics Center from 2016 to 2018 was mainly due to the increase of administrative expenses and finance costs.

Liquidity and Capital Resources

Nanjing Dingjiazhuang Logistics Center primarily uses its cash to pay for design and investigation costs normal recurring expenses. Nanjing Dingjiazhuang Logistics Center has financed its liquidity requirements primarily through payables from the immediate holding company.

Bank balances and cash of Nanjing Dingjiazhuang Logistics Center are mainly denominated in RMB. As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, bank balances and cash of Nanjing Dingjiazhuang Logistics Center amounted to approximately RMB38.9 million, approximately RMB37.6 million, approximately RMB33.0 million and approximately RMB21.1 million, respectively.

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center had interest-bearing borrowings (including the principal and interest) from an immediate holding company with aggregate amount of approximately RMB496.2 million, approximately RMB515.1 million, approximately RMB534.8 million and approximately RMB543.5 million, respectively.

Gearing Ratio

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center had outstanding borrowings of approximately RMB496.2 million, approximately RMB515.1 million, approximately RMB534.8 million and approximately RMB543.5 million, respectively. Accordingly, the gearing ratio at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 was approximately 108%, approximately 113%, approximately 118% and approximately 123%, respectively.

Charge on Assets

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center did not have any charges over assets.

Contingent Liabilities

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center have did not any contingent liabilities.

Plans for Material Investments or Purchase of Capital Assets

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center did not have any plans for material investments or purchase of capital assets.

Major Acquisitions and Disposals of Subsidiaries and Associates

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, Nanjing Dingjiazhuang Logistics Center did not have any material acquisitions or disposals of subsidiaries or associates.

Exposure to Exchange Rate Fluctuations

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, most of the business transactions, assets and liabilities of Nanjing Dingjiazhuang Logistics Center were denominated in RMB. Nanjing Dingjiazhuang Logistics Center did not have any material foreign currency exposure during the relevant periods and did not hold any financial instruments for hedging purposes.

Employees and Remuneration Policies

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the total number of employees of Nanjing Dingjiazhuang Logistics Center was 6, 6, 3 and 2, respectively. The remuneration package of Nanjing Dingjiazhuang Logistics Center mainly comprises basic salary, performance bonus and social security benefit plan. For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the total remuneration of employees of Nanjing Dingjiazhuang Logistics Center was approximately RMB2.6 million, approximately RMB0.6 million, approximately RMB0.4 million and approximately RMB0.2 million, respectively.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Land in the PRC as at 31 October 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

31 December 2018

The Board of Directors
China Merchants Land Limited
Room 2603–2606, 26/F
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: The Land – a piece of land located at the east side of Yinchun Road, the west side of Yanxin Road, the south side of Feixue Road and the north side of Fendou Road, Qixia District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市棲霞區寅春路以東、燕新路以西、飛雪路以南、奮鬥路以北之地塊) with a total site area of 59,128.43 sq.m., designated for commercial usage with a term of 40 years

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from China Merchants Land Limited (the "**Company**") for us to prepare market valuation of the Land held by Nanjing Dingjiazhuang Trading Co., Ltd.* (南京丁家莊商貿有限公司) (the "**Project Company**") in the People's Republic of China (the "**PRC**"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value in existing state of the Land as at 31 October 2018 (the "**valuation date**").

* *For identification purpose only*

DEFINITION OF MARKET VALUE

Our valuation of the Land represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS & ASSUMPTIONS

Our valuation of the Land excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the Land held in the PRC, with reference to the PRC Legal opinion of the legal adviser, JunHe (君合律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Land for its respective specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Project Company and the PRC legal opinion of the Company's legal adviser, dated 31 December 2018, regarding the titles to the Land and the interests in the Land. In valuing the Land, we have prepared our valuation on the basis that the owners have enforceable title to the Land and has free and uninterrupted rights to use, occupy or assign the Land for the whole of the unexpired terms as granted.

In respect of the Land situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Project Company, are set out in the notes in the valuation report.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Land nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Land is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

In valuing the Land, which is held by the Project Company for development in the PRC, we have valued the Land by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing the Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Project Company in respect of the Land in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Land, development scheme, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Project Company which is material to the valuation. We were also advised by the Project Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Project Company with copies of documents in relation to the current title to the Land. However, we have not been able to conduct searches to verify the ownership of the Land or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Land in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Project Company.

SITE INSPECTION

Our Nanjing Office valuer, Song Shiyu (China Real Estate Appraiser with 8 years' of valuation experience in the PRC) has inspected the exterior and, wherever possible, the interior of the Land in October 2018. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Land and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Property held by the Project Company for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2018
The Land – a piece of land located at the east side of Yinchun Road, the west side of Yanxin Road, the south side of Feixue Road and the north side of Fendou Road, Qixia District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市棲霞區寅春路以東、燕新路以西、飛雪路以南、奮鬥路以北之地塊) with a total site area of 59,128.43 sq.m., designated for commercial usage with a term of 40 years	The Land comprises a commercial development to be erected on a parcel of land with a site area of 59,128.43 sq.m. The Land is located at the east side of Yinchun Road, the west side of Yanxin Road, the south side of Feixue Road and the north side of Fendou Road Qixia District, Nanjing City, Jiangsu Province. Developments nearby are mainly residential developments. According to the Project Company, the Land is planned for commercial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Land. The land use rights of the Land has been granted for term due to expire on 14 May 2053 for commercial, financial, wholesale, accommodation and other commercial services, commercial office uses.	The Land is a vacant site pending for future development.	RMB818,000,000 (RENMINBI EIGHT HUNDRED EIGHTEEN MILLION)

Notes:

(1) The land use rights of the Land has been granted to the Project Company with a total site area of 59,128.43 sq.m. as below:

Certificate	Lot No.	Location	Site Area (sq.m.)	Land Usage	Land Use Term
Certificate for the Use of State-owned Land (國有土地使用證) No. NQGY(2015)03787 dated 11 March 2015	320113003014GB00160	Dingjiazhuang, Maigaoqiao subdistrict, Qixia District	31,475.29	Commercial, financial, wholesale, accommodation and other commercial services, commercial office	Till 14 May 2053
Real Estate Title Certificate (不動產權證) No. S(2018)NQ0012829 dated 25 April 2018	320113003014GB00189		27,653.14		
		Total	59,128.43		

(2) According to Grant Contract of Land Use Rights (國有建設用地使用權出讓合同) No. 3201012012CR0029 dated 8 May 2012, the land use rights of the Project is granted as below:

Location: Dingjiazhuang, Maigaoqiao subdistrict, Qixia District

Site Area: 59,132.20 sq.m.

Land Use Term: 40 years for commercial, financial, wholesale, accommodation and other commercial services

Land Premium: RMB410,000,000

Construction Plot Ratio:

Plot	Site Area (sq.m.)	Plot Ratio
A	31,475.30	6.00
B	9,461.90	5.50
C	18,195.00	5.50
Total	59,132.20	

(3) According to Supplementary Grant Contract of Land Use Rights (土地使用權出讓合同補充協議) NGTZRH(2018) No. Bu 10 dated 8 April 2018, some of the clauses are amended as below:

The grantee: The Project Company

Site Area: **The original granted land with 59,132.20 sq.m. is actually surveyed as 59,128.43 sq.m.**

Land Use: Commercial office composite

Building Covenant: To commence construction before 31 December 2018 and to complete the construction before 31 December 2021.

(4) According to Business Licence No. 913201130670820986, the Project Company was established as a limited liability company with a registered capital of RMB40,000,000 for a valid operation period from 14 May 2013 to 13 May 2033.

(5) According to the PRC legal opinion:

(i) The Grant Contract of Land Use Rights and Supplementary Contract are not in violation of the mandatory provisions of laws and administrative regulations, and are legally binding;

(ii) The Project Company has paid the land premium;

(iii) The Project Company has obtained Certificate for the Use of State-owned Land and Real Estate Title Certificate; and

(iv) The Project Company should commence construction before 31 December 2018 and to complete the construction before 31 December 2021.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Project Company and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights and Supplementary Contract	Yes
Business Licence	Yes

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

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
So Shu Fai	Through controlled corporations *(Note)*	32,054,066 (L)	0.65%

Note: These shares are directly held by Skill China Limited ("**Skill China**"). Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Skill China. Hence Fortune Alliance Group Limited is deemed to be interested in the shares held by Skill China. Fortune Alliance Group Limited is, for the purpose of Part XV of the SFO, in turn controlled 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 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 *(Note)*	Approximately percentage (%) in the associated corporation
XU Yongjun	Beneficial owner	704,000	0.00%
HUANG Junlong	Beneficial owner	372,000	0.00%
LIU Ning	Beneficial owner	372,000	0.00%
YU Zhiliang	Beneficial owner	200,000	0.00%

Note: These are the underlying Shares involved in the share options granted by CMSK (an intermediate controlling shareholder indirectly holding 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. XU Yongjun, Mr. HUANG Junlong, Ms. LIU Ning and Mr. YU Zhiliang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or 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.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors is 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. Xu Yongjun, a non-executive Director, is a director and general manager of CMSK;

b. Mr. Huang Junlong, a non-executive Director, is the chief financial officer of CMSK;

c. Ms. Liu Ning, a non-executive Director, is the board secretary of CMSK; and

d. Mr. Wong King Yuen, an executive Director, is the director and general manager of China Merchants Properties Development Limited and China Merchants Property Agency Limited, both of which are wholly-owned subsidiaries of CMSK.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

There is no contract or arrangement subsisting at the date of publication of this circular in which a Director is materially interested and which is 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 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 since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up).

5. 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.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims 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 any member of the Group.

7. SERVICES CONTRACTS

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

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have been named in this circular:

Name	**Qualifications**
Deloitte Touche Tohmatsu	Certified Public Accountants
Cushman & Wakefield	Independent Property Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report(s) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts:

a) did not have any shareholding, either directly or indirectly, in any member of the Group;

b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited accounts of the Company were made up).

The reports from Deloitte Touche Tohmatsu dated 31 December 2018 set out in Appendices II and III to this circular and the valuation report from Cushman & Wakefield dated 31 December 2018 set out in Appendix V to this circular were given for incorporation in this circular.

9. GENERAL

a. The English text of this circular shall prevail over the Chinese text.

b. The company secretary of the Company is Mr. Tsui Kin Fung. Mr. Tsui obtained a Bachelor of Social Science degree with honours major in economics in the Chinese University of Hong Kong in 2007 and has been a certified public accountant of the Hong Kong Institute of Certified Public Accountant. He has over 9 years of experience in financial accounting and auditing.

c. The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company is at Room 2603-2606, 26/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.

10. 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) a supplemental capital increase agreement dated 21 November 2017 entered into between CMSK, Happy City Investments Limited (樂富投資有限公司) ("**Happy City**") and China Merchants Land (Shenzhen) Limited* (招商局置地（深圳）有限公司) ("**Shenzhen Merchants**"), pursuant to which certain terms of the Original Capital Increase Agreement (as defined in item (b) below) regarding the Additional Capital Contribution (as defined in item (b) below) have been amended. For details of the supplemental capital increase agreement, please refer to the announcement of the Company dated 21 November 2017 and the circular of the Company dated 4 December 2017;

b) a capital increase agreement (the "**Original Capital Increase Agreement**") dated 1 November 2017 entered into between CMSK, Happy City and Shenzhen Merchants, pursuant to which, among other things, CMSK and Shenzhen Merchants shall make additional capital contribution of RMB4,9000,000 and RMB5,100,000,000, respectively to Merchants Nanjing (the "**Additional Capital Contribution**"). For details of the Original Capital Increase Agreement, please refer to the circular of the Company dated 4 December 2017;

c) a supplemental agreement to the Land Use Rights Grant Contract (as defined in item (e) below) dated 11 July 2017 entered into between Foshan Merchants Property, Foshan Bureau of Land Resource and City Planning* (廣東省佛山市國土資源和城鄉規劃局) ("**Foshan Bureau**") and Foshan Merchants Brilliant Property, pursuant to which, among other things, Foshan Merchants Brilliant Property shall take up all the rights, benefits and obligations of the land use rights of the Foshan Land (as defined in item (e) below) in place of Foshan Merchants Property. For details of the supplemental agreement to the Land Use Rights Grant Contract, please refer to the circular of the Company dated 24 August 2017;

d) a cooperation agreement dated 21 June 2017 entered into between Guangzhou Merchants Property Development Limited* (廣州招商房地產有限公司), Guangdong Poly Property Development Company Limited* (廣東保利房地產開發有限公司), and Shanghai Guanyi Corporate Management Company Limited* (上海冠懿企業管理有限公司) pursuant to which, among other things, Guangzhou Xinhe Property Development Company Limited* (廣州新合房地產有限責任公司) has been established in the PRC on 11 May 2017 specially to engage in the development of a piece of land known as Zengcheng Land situated from in the east of Finance Avenue down to the west of existing plants, in the south of Changfeng International Commercial Project down to the north of Chuangxin Avenue (東至金融大道，南至長風國際商業項目，西至現狀廠房，北至創新大道) with a total site area of 86,417.35 sq.m. for a consideration of RMB4,350,000,000;

e) a land use rights grant contract (國有建設用地使用權出讓合同) (the "**Land Use Rights Grant Contract**") dated 16 June 2017 entered into between Foshan Merchants Property and Foshan Bureau pursuant to which, among other things, Foshan Merchants Property shall acquire a piece of land situated at Nan Jin Village Committee Lot, Sha Long Road, Jiujiang Town, Nanhai District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市南海區九江鎮沙龍路南金村委會地段) with a total site area of approximately 81,356.9 sq.m. (the "**Foshan Land**") for a consideration of RMB2,015,060,000. For details of the Land Use Rights Grant Contract, please refer to the announcement of the Company dated 16 June 2017 and the circular of the Company dated 24 August 2017;

f) a cooperation agreement dated 31 May 2017 entered into between Guangzhou Dingjia Property Development Co., Ltd.* (廣州鼎佳房地產有限公司) ("**Guangzhou Dingjia Property**") and Foshan Merchants Property pursuant to which, among other things, (i) Guangzhou Dingjia Property and Foshan Merchants Property shall jointly develop a piece of land situated at the east side of Jianshe Yilu, Xinan Street, Sanshui District, Foshan City, Guangdong Province, the PRC* (中國廣東省佛山市三水區西南街道建設一路東側) with a total site area of approximately 47,252.97 sq.m. through Foshan Dingtu Property Development Co., Ltd.* (佛山鼎圖房地產有限公司) ("**Foshan Dingtu**") which has been established in the PRC on 25 April 2017 by Guangzhou Dingjia Property; (ii) Foshan Merchants Property shall contribute RMB10,000,000 to the registered capital of Foshan Dingtu and reimburse 50% of the shareholders' loan of RMB518,950,000 to Guangzhou Dingjia Property; and (iii) each of Guangzhou Dingjia Property and Foshan Merchants Property shall bear the land consideration of RMB1,037,900,000 in proportion to their proposed shareholdings in Foshan Dingtu. For details of the cooperation agreement, please refer to the announcement of the Company dated 31 May 2017; and

g) a cooperation framework agreement dated 6 March 2017 entered into between Nanjing Merchants Zhaosheng Property Development Limited* (南京招商招盛房地產有限公司) ("**Nanjing Merchants**"), Chongqing Hanzhi Industrial Development Company Limited* (重慶瀚置實業發展有限公司) ("**Chongqing Hanzhi**") and Jurong Jinhui Real Estate Construction Company Limited* (句容市金匯房產建設有限公司) ("**Jurong Jinhui**") pursuant to which, among other things, (i) Nanjing Shengxiang Yuan Property Development Limited* (南京盛香園房地產開發有限公司) ("**Nanjing Shengxiang**") has been established in the PRC on 3 March 2017 specifically to engage in the development of a piece of land known as Nanjing 2016G98 Land situated from South Zhongshan Road in the east to Fengtai Road in the west, from Yingtian Avenue in the south to Qinhuai River in the north (東至中山南路，南至應天大街，西至鳳台路，北至秦淮河) with a total site area of 199,329.26 sq.m.; (ii) each of Nanjing Merchants, Chongqing Hanzhi and Jurong Jinhui has respectively contributed an amount of RMB10,200,000, RMB6,600,000, and RMB3,200,000 to the registered capital of Nanjing Shengxiang and shall respectively contribute an amount of RMB3,505,400,000, RMB3,402,300,000 and RMB3,402,300,000 for the acquisition and development of the Nanjing 2016G98 Land before 15 August 2017. For details of the cooperation framework agreement, please refer to the circular of the Company dated 14 July 2017.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company at Room 2603, 26/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 14 January 2019:

a) the memorandum and articles of association of the Company;

b) the letter from the Board dated 31 December 2018, the text of which is set out on pages 5 to 11 of this circular;

c) the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017;

d) the interim report of the Company for the six months ended 30 June 2018;

e) the accountant's report of the Project Company, the text of which is set out in Appendix II to this circular;

f) the report on the unaudited pro forma financial information of the Group after the completion of the Capital Increase, the text of which is set out in Appendix III to this circular;

g) the valuation report of Cushman & Wakefield dated 31 December 2018, the text of which is set out in Appendix V to this circular;

h) the material contracts referred to in the section headed "Material contracts" in this appendix;

i) the letter of consent from Deloitte Touche Tohmatsu dated 31 December 2018 referred to in the above paragraph headed "8. Experts and consents" in this appendix;

j) the letter of consent from Cushman & Wakefield dated 31 December 2018 referred to in the above paragraph headed "8. Experts and consents" in this appendix; and

k) a copy of this circular.

* *Unofficial English translation denotes for identification purposes only*