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**MAJOR AND CONNECTED TRANSACTION:
CAPITAL INCREASE AGREEMENT IN RESPECT OF
THE JOINT VENTURE ARRANGEMENT TO DEVELOP
THE PROJECT LAND THROUGH THE PROJECT COMPANY**

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DEFINITIONS

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

“Board”	the board of Directors
“Capital Increase”	the proposed capital increase in the Project Company by Poly Southern China and Guangzhou Merchants, subject to and in accordance with the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 24 November 2020 entered into between the Project Company, Poly Southern China and Guangzhou Merchants in relation to the Capital Increase
“CMG”	China Merchants Group Limited (招商局集團有限公司), a PRC enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, being the controlling shareholder of CMSK holding more than 63% of the total issued share capital of CMSK as at the Latest Practicable Date
“CMSK”	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979 (A share)), being the intermediate controlling shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date
“Company”	China Merchants Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 978)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guangzhou Merchants”	Guangzhou Merchants Property Development Limited* (廣州招商房地產有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third 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
“Latest Practicable Date”	12 April 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Nanjing Shanjiyei”	Nanjing Shanjiyei Property Development Company Limited* (南京善杰義房地產開發有限公司), a company established in the PRC with limited liability and an indirectly non-wholly owned subsidiary of the Company
“Poly Jiangsu”	Poly Jiangsu Real Estate Development Co., Limited* (保利江蘇房地產發展有限公司), a company established in the PRC with limited liability and a connected person of the Company at the subsidiary level
“Poly Southern China”	Poly Southern China Industry Co., Ltd.* (保利華南實業有限公司), a company established in the PRC with limited liability and an associate of a connected person of the Company at the subsidiary level
“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)

DEFINITIONS

“Project Company”	Foshan Qinghao Real Estate Co., Ltd.* (佛山市清皓置業有限公司), a company established in the PRC with limited liability on 13 July 2020 by Poly Southern China for the sole purpose of property development of the Project Land
“Project Land”	a piece of land situated at the north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市禪城區霧崗路北側、工農路南側地塊) with a total site area of approximately 112,573.21 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Well”	Success Well Investments Limited, a limited liability company incorporated in the British Virgin Islands and the 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 Agreement and the transactions contemplated thereunder by Success Well dated 24 November 2020
“%”	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.



CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 978)

Board of Directors:

Non-executive Directors:

XU Yongjun (*Chairman*)

HUANG Junlong

LIU Ning

Executive Directors:

SO Shu Fai

YU Zhiliang

WONG King Yuen

Independent Non-executive Directors:

WONG Wing Kuen, Albert

CHEN Yanping

SHI Xinping

HE Qi

Registered office:

P.O. Box 309, Umland House

Grand Cayman

KY1-1104

Cayman Islands

Principal place of business

in Hong Kong:

Room 2603-2606, 26/F

China Merchants Tower

Shun Tak Centre

Nos. 168–200 Connaught Road Central

Hong Kong

16 April 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
CAPITAL INCREASE AGREEMENT IN RESPECT OF
THE JOINT VENTURE ARRANGEMENT TO DEVELOP
THE PROJECT LAND THROUGH THE PROJECT COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 24 November 2020 in relation to, among other things, the Capital Increase Agreement entered into between Guangzhou Merchants, Poly Southern China and the Project Company for the development of the Project Land through the Project Company and the increase in the registered capital of the Project Company from RMB50,000,000 to RMB3,250,000,000.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) the details of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) general information of the Group.

CAPITAL INCREASE AGREEMENT

On 24 November 2020, Guangzhou Merchants, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Project Company and Poly Southern China in respect of the joint venture arrangement for the development of the Project Land through the Project Company and the increase in the registered capital of the Project Company from RMB50,000,000 to RMB3,250,000,000, which shall be contributed as to 50% by Guangzhou Merchants and 50% by Poly Southern China, respectively.

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

Date : 24 November 2020

Parties

- (a) the Project Company, a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Poly Southern China as at the date of the Capital Increase Agreement;
- (b) Poly Southern China, a fellow subsidiary of Poly Development Holding Group Limited* (保利發展控股集團股份有限公司) with Poly Jiangsu, which is a connected person of the Company at the subsidiary level; and
- (c) Guangzhou Merchants, an indirect wholly-owned subsidiary of the Company.

Basic Information of the Project Land

Land location:	the north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市禪城區霧崗路北側、工農路南側地塊)
Total site area:	approximately 112,573.21 square metres
Usage of land use rights:	commercial and residential usage (mixed)
Land price:	RMB3,250,000,000 (aggregate payment of land price of RMB1,625,000,000 has been paid in July and August 2020 while the remaining land price of RMB1,625,000,000 is expected to be settled upon the Foshan Municipal Natural Resources Bureau completed the land clearance work on the Project Land)
Expected completion time of the Project Land:	The Project Company intends to mainly develop residential buildings on the Project Land which is expected to be completed by the end of 2024 subject to adjustment based on the actual development progress

LETTER FROM THE BOARD

Proposed Capital Increase

Pursuant to the Capital Increase Agreement, each of Poly Southern China and Guangzhou Merchants has agreed to make a capital contribution in the respective amount of RMB1,575,000,000 (together with the initial registered capital of RMB50,000,000, RMB1,625,000,000 in total) and RMB1,625,000,000 in cash to the registered capital of the Project Company, which is a direct wholly-owned subsidiary of Poly Southern China as at the date of the Capital Increase Agreement.

Upon completion of the Capital Increase, the registered capital of the Project Company will be increased from RMB50,000,000 to RMB3,250,000,000 and held as to 50% by Poly Southern China and 50% by Guangzhou Merchants, respectively.

The amount of capital contribution by each of Poly Southern China and Guangzhou Merchants was determined after arm's length negotiations with reference to the capital requirements of the Project Company and the land price. The Group's share of the estimated total investment amount is approximately RMB2,781,730,000, which comprises:

- (a) RMB1,625,000,000, being 50% of the total registered capital of the Project Company to be contributed by Guangzhou Merchants, which is equivalent to the 50% of the land price; and
- (b) RMB1,156,730,000, being the rest of the estimated total investment amount to be contributed by Guangzhou Merchants in the Project Company, including the payment of 50% of the Real Estate Tax (approximately RMB48,750,000), construction costs and other related expenses (approximately RMB1,107,980,000) in relation to the development of the Project Land while the construction costs and other related expenses are estimated based on, among other things, the available market price information of the construction costs in the city of Foshan.

The Group's share of the estimated total investment amount shall be funded by the Group's internal resources and/or external resources.

Payment of the capital contribution and completion

The Project Company shall complete the business registration procedures with the local Administration for Industry and Commerce concerning the Capital Increase within three working days after the signing of the Capital Increase Agreement.

Poly Southern China and Guangzhou Merchants shall pay their respective amount of capital contribution to the Project Company within 10 working days after the completion of the business registration procedures with the local Administration for Industry and Commerce concerning the Capital Increase.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the business registration procedures with local Administration for Industry and Commerce concerning the Capital Increase were completed and Poly Southern China and Guangzhou Merchants have paid up their respective amount of capital contribution.

Management of the Project Company

Unless matters that must be approved by shareholders representing more than two-third of voting rights of the Project Company under relevant law and regulations, remaining matters shall be approved by shareholders representing more than half of voting rights of the Project Company at the general meetings.

The board of directors of the Project Company shall consist of five directors. Poly Southern China shall nominate three directors and Guangzhou Merchants shall nominate two directors. The chairman of the board of directors of the Project Company shall be a director appointed by Guangzhou Merchants.

The general manager shall be responsible for the management of the Project Company and such person shall be nominated by Poly Southern China and appointed by the board of directors of the Project Company.

Profit Distribution Arrangement

Pursuant to the Capital Increase Agreement, each of Poly Southern China and Guangzhou Merchants shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.

FINANCIAL IMPACT

Since Guangzhou Merchants does not have the right to appoint a majority of the board of directors of the Project Company and has no control over the voting rights in the shareholder's meeting of the Project Company, the Project Company shall not become a subsidiary of Guangzhou Merchants after the completion of the Capital Increase Agreement. 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 CAPITAL INCREASE AGREEMENT

The Group is principally engaged in the development, sale, lease, investment and management of properties and assets management.

Each of Poly Southern China and Guangzhou Merchants would benefit from the cooperation in order to exert their strengths, generate synergistic effect and enhance their investment portfolio in the property market in the PRC, which would improve the capital efficiency and effectiveness and reduce the investment risks and thus a greater return could be created for the Shareholders.

LETTER FROM THE BOARD

The terms of the Capital Increase Agreement 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 Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the Capital Increase Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolutions approving the Capital Increase Agreement and the transactions contemplated thereunder.

PARTICULARS OF THE PARTIES

The Project Company, a company established in the PRC with limited liability, is principally engaged in property development of the Project Land, and is a direct wholly-owned subsidiary of Poly Southern China as at the date of the Capital Increase Agreement.

Poly Southern China, a company established in the PRC with limited liability, is principally engaged in property development in the PRC, and is a direct wholly-owned subsidiary of Poly Development Holding Group Limited* (保利發展控股集團股份有限公司), a listed company in Shanghai Stock Exchange with stock code 600048.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement exceed 25%, but are all less than 100%, the entering into of the Capital Increase Agreement and the transactions contemplated thereunder 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.

Poly Jiangsu, a substantial shareholder of the Company's non-wholly owned subsidiary, Nanjing Shanjiyei, is a connected person of the Company at the subsidiary level. Poly Southern China and Poly Jiangsu are fellow subsidiaries under the control of Poly Development Holding Group Limited* (保利發展控股集團股份有限公司). Poly Southern China, therefore, is an associate of connected person of the Company at the subsidiary level pursuant to Rule 14A.13(1) of the Listing Rules. The Project Company is a direct wholly-owned subsidiary of Poly Southern China as at the Latest Practicable Date, and therefore, also an associate of connected person of the Company at the subsidiary level pursuant to Rule 14A.13(3) of the Listing Rules. Accordingly, the entering into of the Capital Increase Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

WRITTEN APPROVAL

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

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 Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Capital Increase Agreement and the transactions contemplated thereunder. 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 Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that the terms of the Capital Increase 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 Agreement and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Capital Increase Agreement and the transactions contemplated thereunder 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 2018, 31 December 2019 and 31 December 2020 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 2018, on pages 119 to 287 of the annual report of the Company for the year ended 31 December 2018 released on 4 April 2019 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0404/ltn20190404691.pdf>;
- (ii) for the year ended 31 December 2019, on pages 118 to 271 of the annual report of the Company for the year ended 31 December 2019 released on 17 April 2020 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700574.pdf>; and
- (iii) for the year ended 31 December 2020, on pages 1 to 15 of the annual results announcement of the Company for the year ended 31 December 2020 released on 18 March 2021 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0318/2021031801643.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 28 February 2021, 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:

	28 February 2021 <i>RMB'000</i>
Bank and other borrowings	13,689,990
Bonds payable	1,900,000
Loans from an intermediate holding company	1,996,822
Loans from non-controlling interests	<u>2,895,597</u>
Total	<u>20,482,409</u>
Secured	1,937,152
Unsecured	<u>18,545,257</u>
Total	<u>20,482,409</u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	11,721,021
More than one year, but not exceeding two years, disclosed as non-current liabilities	5,569,104
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>3,192,284</u>
Total	<u>20,482,409</u>

Financial Guarantee Contracts

As at 28 February 2021, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB3,657,289,000 and guarantees for mortgage loans of joint ventures and associates in the amount of approximately RMB1,965,492,690.

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 28 February 2021, 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 28 February 2021, the Group had cash and bank balances of approximately RMB8,750,580,000. 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 28 February 2021, 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 2020, 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 Chongqing, Foshan, Nanjing and Jurong with carrying value of approximately RMB3,424,620,000 and investment properties with carrying value of approximately RMB1,274,083,000 having been pledged to secure bank borrowings amounting to approximately RMB2,222,409,000 granted to the Group as at 28 February 2021, 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 transactions contemplated under the Capital Increase Agreement and the present internal financial resources available to the Group, including cash and bank balances as well as the available banking 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

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2020, 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

For the year of 2020, the Group, together with its associates and joint ventures, achieved aggregate contracted sales of RMB49,874,000,000, representing a year-on-year increase of approximately 33%. Aggregate contracted sales area was 2,753,576 sq.m., representing a year-on-year increase of approximately 30%. The average selling price was approximately RMB18,113 per sq.m., representing a year-on-year increase of approximately 2%. The Group believes that the future of the industry will be an era driven by management capabilities. The Company will strengthen its corporate management capabilities and strive to leverage its outstanding management capabilities to enhance profitability. As PRC's domestic economy has taken the lead in recovery and global vaccination rates are steadily increasing, the Company will continue in, and remains confident in the outlook for, its property business.

As to the asset management segment, the assets managed by the Group through the REIT manager are located in the Greater Bay Area of Guangdong, Hong Kong and Macau, which have not only benefited from the PRC's economic recovery, but have also undergone renewal and renovation works as planned intending to enjoy further economic benefits. During the year ended 31 December 2020, the Group recorded asset management services income of approximately RMB18,074,000. The Group will continue its asset management business in order to broaden its income sources and bring benefits to the shareholders of the Company.

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.



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
OF FOSHAN QINGHAO REAL ESTATE CO., LTD.
TO THE DIRECTORS OF CHINA MERCHANTS LAND LIMITED
佛山市清皓置業有限公司**

Introduction

We report on the historical financial information of Foshan Qinghao Real Estate Co., Ltd. (the "**Project Company**") set out on pages II-4 to II-14, which comprises the statement of financial position of the Project Company as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Project Company for the period from 13 July 2020 (date of establishment) to 31 December 2020 (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 II-4 to II-14 forms an integral part of this report, which has been prepared for inclusion in the circular of China Merchants Land Limited (the "**Company**") dated 16 April 2021 (the "**Circular**") in connection with the proposed capital contribution into the Project Company for the 50% equity interest in the Project Company.

Directors' responsibility for the Historical Financial Information

The directors of the Project Company are responsible for the preparation of the 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 directors of the Project Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

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 (the "**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 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 directors of the Project 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 Project Company's financial position as at 31 December 2020 and of the Project Company's financial performance and its cash flows for the Track Record Period 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 II-3 have been made.

Dividends

We refer to Note 7 to the Historical Financial Information which states that no dividend has been paid or declared by the Project Company in respect of the Track Record Period.

No historical financial statements for the Project Company

No statutory financial statements have been prepared for the Project Company since its date of establishment.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 April 2021

HISTORICAL FINANCIAL INFORMATION OF THE PROJECT 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 Project 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**").

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	For the period from 13 July 2020 (date of establishment) to 31 December 2020 RMB
Bank interest income		105,211
Administrative expenses		<u>(1,619,196)</u>
Loss and total comprehensive expense for the period	5	<u><u>(1,513,985)</u></u>

STATEMENT OF FINANCIAL POSITION

		At 31 December 2020 RMB
Current assets		
Deposit paid for acquisition of land use right	8	1,625,000,000
Amounts due from shareholders	9	1,518,504,483
Deferred costs for land use right	10	104,210,201
Bank balance		<u>2,484,700</u>
		<u>3,250,199,384</u>
Current liability		
Other payables		<u>1,713,369</u>
Net assets		<u><u>3,248,486,015</u></u>
Capital and reserve		
Paid-in capital	11	3,250,000,000
Accumulated loss		<u>(1,513,985)</u>
Total equity		<u><u>3,248,486,015</u></u>

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital <i>RMB</i>	Accumulated loss <i>RMB</i>	Total <i>RMB</i>
Capital contribution on date of establishment	50,000,000	–	50,000,000
Capital contribution during the period	3,200,000,000	–	3,200,000,000
Loss and total comprehensive expense for the period	–	(1,513,985)	(1,513,985)
	3,250,000,000	(1,513,985)	3,248,486,015

STATEMENT OF CASH FLOWS

	For the period from 13 July 2020 (date of establishment) to 31 December 2020 <i>RMB</i>
OPERATING ACTIVITIES	
Loss for the period	(1,513,985)
Adjustment for bank interest income	(105,211)
	(1,619,196)
Operating cash flows before movements in working capital	(1,619,196)
Increase in deferred costs for land use right	(100,086)
Increase in deposit paid for acquisition of land use right	(1,625,000,000)
Increase in other payables	1,713,369
	(1,625,005,913)
NET CASH USED IN OPERATING ACTIVITIES	
INVESTING ACTIVITIES	
Interest received	105,211
Advances to shareholders	(1,622,614,598)
	(1,622,509,387)
NET CASH USED IN INVESTING ACTIVITIES	
CASH FROM A FINANCING ACTIVITY	
Capital injection from shareholders	3,250,000,000
	3,250,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	
Represented by bank balance	2,484,700
	2,484,700

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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

Foshan Qinghao Real Estate Co., Ltd. (the “**Project Company**”) was established on 13 July 2020 and registered in the People’s Republic of China (the “**PRC**”). Its immediate holding company is 保利華南實業有限公司 Poly Southern China Industry Co., Ltd. (“**Poly Southern China**”), which was established in the PRC. On 24 November 2020, Poly Southern China entered into a cooperation agreement (the “**Capital Increase Agreement**”) with 廣州招商房地產有限公司 Guangzhou Merchants Property Development Limited (“**Guangzhou Merchants**”), a PRC indirect wholly-owned subsidiary of China Merchants Land Limited (which is incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Pursuant to the Capital Increase Agreement, (i) the Project Company shall increase its registered capital from RMB50,000,000 to RMB3,250,000,000, in which Poly Southern China and Guangzhou Merchants shall contribute RMB1,575,000,000 and RMB1,625,000,000 respectively as capital contribution to the Project Company; and (ii) Poly Southern China and Guangzhou Merchants shall jointly develop a piece of land situated at Chancheng District of Foshan (the “**Chancheng Land**”).

The Project Company engages in the business of property development. The address of the register office and the principal place of business of the Project Company is Room 103, Block 5, 18 Kehai Road, Chancheng District, Foshan City (佛山市禪城區科海路18號5座首層3室).

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

For the purpose of preparing and presenting the Historical Financial Information of the Project Company for the Track Record Period, the Project Company has consistently adopted accounting policies which conform with the Hong Kong Accounting Standards (“**HKAS**”), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively “**HKFRSs**”) issued by the HKICPA which are effective for its accounting period beginning on 13 July 2020 throughout the Track Record Period.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
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 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

⁶ Effective for annual periods beginning on or after 1 April 2021

The directors of the Project Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statements of the Project Company in the foreseeable 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. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of the 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Project Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Deposit paid for acquisition of land use right and deferred costs for land use right

Deposit paid for acquisition of land use right and deferred costs for land use right are stated at cost less subsequent accumulated impairment losses, if any.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS require or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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 period. Taxable profit differs from loss before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Project Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the 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 difference 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 the 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 Project Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets 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.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Project Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including amounts due from shareholders and bank balance) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that 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. Assessments are done based on the Project 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 all existing instruments, the Project Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Project 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.

Financial liability and equity instruments

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

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 the Project Company are recognised at the proceeds received, net of direct issue costs.

Financial liability at amortised cost

Financial liability (representing other payables) is subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Project 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.

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

The Project Company derecognises financial liability when, and only when, the Project Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. INCOME TAX EXPENSE

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

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

	For the period from 13 July 2020 (date of establishment) to 31 December 2020
	<i>RMB</i>
Loss before tax	(1,513,985)
Tax at the PRC EIT rate of 25%	(378,496)
Tax effect of tax loss not recognised	378,496
Income tax expense	—

The tax loss has not yet been approved by State Taxation Administration of the PRC and will be expired in five years after the year it is incurred. No deferred tax asset has been recognised on these immaterial unused tax loss.

5. LOSS FOR THE PERIOD

For the period from
13 July 2020 (date of
establishment) to
31 December 2020
RMB

Loss for the period has been arrived at after charging:

Auditor's remuneration	26,981
Directors' emoluments	–
Employee benefits expenses	288,419
	288,419

6. LOSS PER SHARE

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

7. DIVIDEND

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

8. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHT

The non-refundable deposit paid for acquisition of land use right represented the partial payment of Chancheng Land price of RMB1,625,000,000. Pursuant to the notice issued by the Foshan Municipal Natural Resources Bureau ("Foshan Bureau") dated 10 November 2020, Foshan Bureau is responsible for the land clearance work on the Chancheng Land before the Project Company commences construction work. The management of the Project Company expected that the remaining land price of RMB1,625,000,000 is to be settled upon the land clearance work completed by Foshan Bureau.

9. AMOUNTS DUE FROM SHAREHOLDERS

The amounts were unsecured, interest-free and repayable on demand.

10. DEFERRED COSTS FOR LAND USE RIGHT

The amounts mainly represented the prepayment of deed tax and initial direct costs associated with the acquisition of the Chancheng Land.

11. PAID-IN CAPITAL

	Paid-in capital RMB
Registered and paid-in capital	
At 13 July 2020 (date of establishment) (<i>Note i</i>)	50,000,000
Capital injection pursuant to the Capital Increase Agreement (<i>Note ii</i>)	3,200,000,000
	<hr/>
At 31 December 2020	3,250,000,000
	<hr/> <hr/>

Note i: At date of establishment, Poly Southern China has injected RMB50,000,000 as capital contribution to the Project Company.

Note ii: Pursuant to the Capital Increase Agreement, the Project Company increased its registered capital from RMB50,000,000 to RMB3,250,000,000, in which Poly Southern China further injected RMB1,575,000,000 as capital contribution while Guangzhou Merchants injected RMB1,625,000,000 as capital contribution to the Project Company. The amounts of capital contribution were fully paid on 20 November 2020.

12. CAPITAL RISK MANAGEMENT

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

The capital structure of the Project Company consists of bank balance and equity attributable to owners of the Project Company comprising paid-in capital net of accumulated loss.

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

13. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December 2020 RMB
Financial assets	
At amortised cost	1,520,989,183
	<hr/> <hr/>
Financial liability	
At amortised cost	1,713,369
	<hr/> <hr/>

Financial risk management objectives and policies

The Project Company's major financial instruments include amounts due from shareholders, bank balance and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risks (including interest rate risk), credit risk and liquidity risk, the policies on how to mitigate these risks are set out below. 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 Project Company is primarily exposed to cash flow interest rate risk in relation to variable-rate interest bearing bank balance.

The Project Company currently does not have an interest rate hedging policy in relation to cash flow interest rate risk. However, management of the Project Company monitors interest rate exposure on an on-going basis and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The management considered that interest rate risk of bank balance is insignificant.

Credit risk

Credit risk refers to the risk that the Project Company's counterparties default on their contractual obligations resulting in financial losses to the Project Company. The Project Company's credit risk exposures are primarily attributable to bank balance and amounts due from shareholders. The Project Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Project Company has concentration of credit risk in respect of bank balance. At 31 December 2020, all bank balance was deposited at China Construction Bank. The credit risk of this liquid fund is limited because the counterparty is a state-owned bank located in the PRC.

The Project Company has concentration of credit risk in respect of amounts due from shareholders. In order to minimise the credit risk on these amounts, the management of the Project Company continuously monitors the credit quality and financial conditions of shareholders and the level of exposure to ensure that follow up action is taken to recover overdue debts. As the shareholders are subsidiaries of China Merchants Group Limited and Poly Development Holding Group Limited which have good credit standings, the directors of the Project Company consider that the risk of default of the shareholders is low.

Liquidity risk

The Project Company's objective is to maintain a balance between continuity of funding generated from operating activities and the flexibility through the use of borrowings and issue of new debts. The directors of the Project Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Project Company's projects and operations.

Other payables are repayable within one year and non-interest bearing. In the opinion of the directors of the Project Company, the difference between the carrying amount of the financial liability and the undiscounted cash flows based on the earliest date on which the Project Company can be required to pay is not significant and therefore, no further analysis is presented.

Fair value measurements of financial instruments

The fair values of financial assets and financial liability are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Project Company consider that the carrying amounts of financial assets and financial liability recognised in the financial statements approximate their fair values.

14. COMMITMENTS

At the end of the reporting period, the Project Company had the following commitment contracted for but not provided in the Historical Financial Information in respect of:

	At 31 December 2020 RMB
Construction of property under development	4,065,636
Acquisition of land use right	1,625,000,000
	<hr/>
	1,629,065,636
	<hr/> <hr/>

15. NON-CASH TRANSACTION

During the period ended 31 December 2020, deferred costs for land use right for property development purpose of RMB104,110,115 were paid on behalf by the shareholders of the Project Company. Accordingly, the amounts due from shareholders were reduced by such amount.

16. SUBSEQUENT FINANCIAL STATEMENTS

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

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER
THE COMPLETION OF THE CAPITAL CONTRIBUTION**

(I) Basic of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Group after the completion of the capital contribution

On 8 July 2020, Poly Southern China Industry Co., Ltd. (“**Poly Southern China**”) won a bidding in respect of the land use rights of a piece of land situated at Chancheng District of Foshan (the “**Chancheng Land**”) at an aggregation consideration of RMB3,250,000,000. On 13 July 2020, Foshan Qinghao Real Estate Co., Ltd. (the “**Project Company**”) was established in the PRC by Poly Southern China as a limited liability company with initial registered capital of RMB50,000,000 injected by Poly Southern China. The Project Company subsequently entered into a land use right grant contract with the Foshan Municipal Planning and Natural Resources Bureau on 15 July 2020 to become the sole beneficiary and developer of the Chancheng Land. On 24 November 2020, Guangzhou Merchants Property Development Limited (“**Guangzhou Merchants**”), an indirect wholly owned subsidiary of the Company, entered into a cooperation agreement (“**Capital Increase Agreement**”) with Poly Southern China and the Project Company for the development of the Chancheng Land through the Project Company, pursuant to which Guangzhou Merchants and Poly Southern China have agreed to invest in the Project Company by way of capital contribution in an aggregate amount of up to RMB3,250,000,000 for registered capital of the Project Company. As at the date of the Capital Increase Agreement, Poly Southern China holds 100% of the issued capital of the Project Company. Upon the completion of the capital contribution, the shareholding of Guangzhou Merchants and Poly Southern China in the Project Company shall be 50% and 50%, respectively.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of the Capital Increase Agreement on the basis of notes set out below for illustrating the effect, as if the Capital Increase Agreement had taken place on 30 June 2020 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 the completion of the capital contribution 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 contribution 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 2020 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 2020.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION
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(II) Unaudited Pro Forma Statement of assets and liabilities of the Group after the completion of the capital contribution

Unaudited Pro Forma Statement of assets and liabilities of the Group

	The Group as at 30 June 2020 <i>RMB'000</i> <i>Note 1</i>	Pro forma Adjustment <i>RMB'000</i> <i>Note 2</i>	Unaudited Adjusted Pro forma of the enlarged Group <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	277,868	–	277,868
Right-of-use assets	66,699	–	66,699
Investment properties	4,138,552	–	4,138,552
Goodwill	160,210	–	160,210
Interests in associates	2,749,952	1,625,000	4,374,952
Interests in joint ventures	3,539,981	–	3,539,981
Financial asset at fair value through profit or loss	104,492	–	104,492
Deferred tax assets	1,037,779	–	1,037,779
Other receivables	1,252,182	–	1,252,182
	13,327,715	1,625,000	14,952,715
Current assets			
Properties for sale	50,363,361	–	50,363,361
Trade and other receivables	20,936,693	–	20,936,693
Deposit paid for acquisitions of land use rights	703,311	–	703,311
Contract costs	133,340	–	133,340
Prepaid tax	838,151	–	838,151
Bank balances and cash	8,468,524	(1,625,000)	6,843,524
	81,443,380	(1,625,000)	79,818,380
Current liabilities			
Contract liabilities	18,390,496	–	18,390,496
Trade and other payables	22,011,966	–	22,011,966
Lease liabilities	27,849	–	27,849
Loans from non-controlling interests	780,555	–	780,555
Loans from an intermediate holding company	2,551,453	–	2,551,453
Bank borrowings	4,012,804	–	4,012,804
Income tax payable	3,749,624	–	3,749,624
	51,524,747	–	51,524,747
Net current assets	29,918,633	(1,625,000)	28,293,633
Total assets less current liabilities	43,246,348	–	43,246,348

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION
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	The Group as at 30 June 2020 <i>RMB'000</i> <i>Note 1</i>	Pro forma Adjustment <i>RMB'000</i> <i>Note 2</i>	Unaudited Adjusted Pro forma of the enlarged Group <i>RMB'000</i>
Non-current liabilities			
Loans from non-controlling interests	2,730,322	–	2,730,322
Loan from an intermediate holding company	–	–	–
Bank borrowings	8,680,077	–	8,680,077
Bond payable	1,900,000	–	1,900,000
Lease liabilities	280,441	–	280,441
Deferred tax liabilities	367,841	–	367,841
	13,958,681	–	13,958,681
Net Assets	29,287,667	–	29,287,667

Notes:

1. For the preparation of unaudited pro forma statement of assets and liabilities of the Group after the completion of the capital contribution, the amounts are extracted from the latest published unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 of which no audit or review report has been published.

2. On 24 November 2020, the Group entered into the Capital Increase Agreement with Poly Southern China Industry Co., Ltd. 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 RMB1,625,000,000.

The Group has the right to appoint two out of five directors in the board of the Project Company. The investment is accounted for as an associate as the decision making process about the relevant material activities of the Project Company requires consent with more than half of the directors in the board of the Project Company pursuant to the Capital Increase Agreement.

Assuming the Capital Increase Agreement was effective and the capital contribution was completed on 30 June 2020, the interests in associates would be increased by the capital injection amount of RMB1,625,000,000 with the assumption that the fair value of the net assets of the Project Company before the capital injection approximates the carrying amount of those assets and liabilities reflected in the financial statements of the Project Company as at 31 December 2020 as shown in Appendix II — Accountants' Report of the Project Company.

3. No adjustment has been made to reflect the trading results or any other transaction of the Group entered into subsequent to 30 June 2020.

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.



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 2020 and related notes as set out on pages III-1 to III-3 of the circular issued by the Company dated 16 April 2021 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed capital injection into Foshan Qinghao Real Estate Co., Ltd. for 50% of its equity interest on the Group's financial position as at 30 June 2020 as if the transaction had taken place at 30 June 2020. 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 2020, 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.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION
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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 2020 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.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION
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The procedures selected depend on the reporting accountants' judgement, 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

16 April 2021

MANAGEMENT DISCUSSION AND ANALYSIS ON THE PROJECT COMPANY

The management discussion and analysis on the Project Company for the period from 13 July 2020 (date of establishment) to 31 December 2020 (the “Tracking Period”) are set out below.

Business Review and Prospects

The Project Company was established on 13 July 2020 and registered in the People’s Republic of China (the “PRC”). Its immediate holding company is Poly Southern China Industry Co., Ltd.* (保利華南實業有限公司), which is established in the PRC. The Project Company engages in the business of property development.

Financial Review

Other Comprehensive Income

During the Tracking Period, the administrative expenses of the Project Company amounted to RMB1,619,196, which mainly represented stamp duty and other general administrative expenses. During the same period, bank interest income of RMB105,211 was recorded. Hence, the loss and total comprehensive expense for the Tracking Period was RMB1,513,985.

Assets and Liability

As at 31 December 2020, the total assets of the Project Company were approximately RMB3,250 million, of which RMB1,625 million, or over 49%, was deposit paid for acquisition of land use right and RMB1,519 million, or over 47%, was amounts due from shareholders. The total liabilities of the Project Company were approximately RMB1.7 million, which was mainly made up of construction cost payable.

Liquidity and Capital Resources

The Project Company primarily uses its cash to pay for the costs of the Project Land. The Project Company has financed its liquidity requirements primarily by capital injections from its shareholders.

Bank balance of the Project Company are denominated in RMB. As at 31 December 2020, bank balance of the Project Company amounted to RMB2,484,700.

As at 31 December 2020, the Project Company had amounts due from its shareholders with aggregate amount of approximately RMB1,519 million.

Gearing Ratio

As at 31 December 2020, the Project Company had current liabilities of approximately RMB1.7 million. Accordingly, the gearing ratio (total liabilities/total assets) at 31 December 2020 was approximately 0.05%.

Charge on Assets

As at 31 December 2020, the Project Company did not have any charges over assets.

Contingent Liabilities

As at 31 December 2020, the Project Company did not have any contingent liabilities.

Plans for Material Investments or Purchase of Capital Assets

As at 31 December 2020, the Project Company did not have any plans for material investments or purchase of capital assets.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates

For the Tracking Period, the Project Company did not have any significant investments, material acquisitions or disposals of subsidiaries or associates.

Exposure to Exchange Rate Fluctuations

For the Tracking Period, most of the business transactions, assets and liabilities of the Project Company were denominated in RMB. The Project Company 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 of 31 December 2020, there were eight employees under the Project Company. They are remunerated according to their job nature, individual experience and performance, market trends with built-in merit components. Suitable regular training will be provided.

Development of the Project Land

After completion of the clearance work on the Project Land in the near future, the Project Company will commence construction work to mainly develop residential buildings on the Project Land.

* Unofficial English translation denotes for identification purposes only.

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 Project Land held in the PRC as at 31 January 2021.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

16 April 2021

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

Dear Sirs,

Re: Project Land – a piece of land situated at the north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province, the PRC with a total site area of approximately 112,573.21 square metres
位於中國廣東省佛山市禪城區霧崗路北側、工農路南側之地塊，總佔地面積約為112,573.21平方米

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from China Merchants Land Limited (the “**Company**”) for us to carry out the valuation of the market value of the Project Land held 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 considered necessary for the purpose of providing you with our opinion of the market value of the Project Land in existing state as at 31 January 2021 (the “**Valuation Date**”).

DEFINITION OF MARKET VALUE

Our valuation of the Project Land represents its Market Value which in accordance with the HKIS Valuation Standards 2020 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 Project Land excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, 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 Project Land in the PRC, with reference to the PRC Legal opinion of the Company's legal adviser, Beijing Jun He Law Firm (北京市君合律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Project Land for its 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 Company and the PRC legal opinion, dated 16 April 2021, regarding the title to the Project Land and the interests in the Project Land. In valuing the Project Land, we have prepared our valuation on the basis that the owners have enforceable title to the Project Land and have free and uninterrupted rights to use, occupy or assign the Project Land for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Project 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 Project Land is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

In valuing the Project Land, which is held for development in the PRC, we have adopted Market Comparison Method assuming sale with the benefit of vacant possession and by making reference to comparable sales evidence as available on the market.

Market Comparison Method is a commonly used valuation method for vacant land, there are relevant comparable land sales evidence for reference to arrive at the market value. This method rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar land, subject to allowances for variable factors. We consider the market value arrived at by Market Comparison Method is reliable. As no detailed development plan of the Project Land is available at this early stage, we have not used other valuation methods like residue method. Such approach is in line with the market practice.

In valuing the Project 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 2020.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Project Land, particulars of occupancy, site and floor areas and all other relevant matters.

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

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

SITE INSPECTION

Our valuer of Guangzhou Office, Liam He (何超) (a China Real Estate Appraiser with 2 years' of property valuation), has inspected the exterior of the Project Land in January 2021. 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 been able to carry out detailed on-site measurements to verify the site and floor area of the Project Land and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuation is in Renminbi, the official currency of the PRC.

We attach herewith a 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 28 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Project Land held for development in the PRC

Project Land	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2021
<p>Project Land – a piece of land situated at the north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province, the PRC with a total site area of approximately 112,573.21 square metres</p>	<p>The Project Land is planned as a commercial residential development to be erected on a piece of land with a site area of approximately 112,573.21 square metres.</p> <p>The Project Land has a permitted plot ratio of not more than 3.0; the permitted plot ratio area is approximately 321,569.04 square metres above ground; the basement car park is planned as approximately 88,550 square metres.</p> <p>The Project Land is situated at the north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province. Developments nearby are mainly commercial and residential development. According to the Company, the Project Land is for commercial and residential uses; there is no litigation dispute; there is no plan to change the use of the Project Land.</p> <p>The land use rights of the Project Land have been granted for a term of 70 years for residential, 40 years for commercial.</p>	<p>As at the Valuation Date, the Project Land was pending for development.</p>	<p>RMB3,250,000,000 (RENMINBI THREE BILLION TWO HUNDRED FIFTY MILLION)</p> <p>(50% interest attributable to the Company: RMB1,625,000,000 ONE BILLION SIX HUNDRED TWENTY FIVE MILLION)</p>

Notes:

- (1) According to Grant Contract for State-owned Construction Land Use Rights No. 440600-2020-000070 dated 15 July 2020 and its Supplement dated 16 July 2020:

Grantor:	Foshan Municipal Natural Resources Bureau (佛山市自然資源局) (“ Foshan Bureau ”)
Grantee:	Foshan Qinghao Real Estate Co., Ltd.* (佛山市清皓置業有限公司) (the “ Project Company ”), an associate of connected person of the Company at the subsidiary level.
Lot No.:	TD2020(SZ)WG0002
Project Land:	The north of Wugang Road and south of Gongnong Road in Chancheng District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市禪城區霧崗路北側、工農路南側地塊)
Total Site Area:	Approximately 112,573.21 square metres
Usage of Land Use Rights:	Commercial and residential usage (mixed)
Permitted Plot Ratio:	≤3.0
Permitted Gross Floor Area:	Approximately 321,569.04 square metres above ground; the basement car park is planned as approximately 88,550 square metres.
Land Price:	RMB3,250,000,000 comprising: <ol style="list-style-type: none"> (1) the Deposit of RMB650,000,000 which has been paid on 20 July 2020; (2) the first instalment of RMB1,625,000,000 which has been paid on 7 August 2020 (part of which is formed by the Deposit) (the “First Instalment”); and (3) the second instalment of RMB1,625,000,000 payable before 5 November 2020 (the “Second Instalment”).**.
Land Use Term:	70 years for residential, 40 years for commercial.
Building Covenant:	To commence construction before 5 November 2021; to complete construction by 5 November 2024 subject to further application for extension for not more than 1 year**.

** As advised by the Project Company, the Project Land hand over date is delayed, thus the Land Price Second Instalment and the Building Covenant will be extended accordingly.

- (2) According to the Capital Increase Agreement dated 24 November 2020, Guangzhou Merchants, entered into agreement with the Project Company and Poly Southern China for the development of the project Land through the Project Company:

- Parties:
- (a) The Project Company;
 - (b) Poly Southern China Industry Co., Ltd.* (保利華南實業有限公司), (“**Poly Southern China**”), a connected person of the Company at the subsidiary level;
 - (c) Guangzhou Merchants Property Development Limited* (廣州招商房地產有限公司), (“**Guangzhou Merchants**”), an indirectly wholly-owned subsidiary of the Company.

Proposed Capital Increase: Each of Poly Southern China and Guangzhou Merchants has agreed to make a capital contribution in the respective amount of RMB1,575,000,000 (together with the initial registered capital of RMB50,000,000, RMB1,625,000,000 in total) and RMB1,625,000,000 in cash to the registered capital of the Project Company, which is a direct wholly-owned subsidiary of Poly Southern China as at the date of the Capital Increase Agreement.

Profit distribution arrangement: Each of Poly Southern China and Guangzhou Merchants shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.

- (3) According to the Business Licence No. 91440604MA550AL28B dated 24 November 2020, the Project Company was established with a registered capital of RMB3,250,000,000.

- (4) According to the PRC legal opinion:

- (i) The contents of the Grant Contract for State-owned Construction Land Use Rights and its Supplement between the Project Company and Foshan Bureau do not violate the mandatory provisions of laws and administrative regulations, and are legally binding on both parties;
- (ii) The Project Company has paid 50% of the total land price, i.e. RMB1,625 million; the remaining 50% of the land price, i.e. RMB1,625 million have not been paid within the time limit agreed in the Grant Contract for State-owned Construction Land Use Rights (5 November 2020), as affected by a remaining clearance work on the Project Land, which is currently in progress, the Foshan Bureau has agreed to bear all costs incurred by the relevant works;
- (iii) Due to the above-mentioned work existing in the Project Land, the Project Company has not paid the remaining 50% of the land price, so it is unable to apply for the corresponding Certificate of Real Estate Ownership; and
- (iv) There is no mortgage, sealing up, freezing and other rights restrictions on the Project Land.

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

Certificate of Real Estate Ownership	No
Grant Contract for State-owned Construction Land Use Rights and its Supplement	Yes

- (6) In valuing the Project Land, which is held for development in the PRC, we have adopted Market Comparison Method. We have made reference to some land comparables in Foshan City. The accommodation value of these land comparables ranges from RMB9,051 to RMB11,842 per square metres. The accommodation value assumed by us are consistent with the said land comparable. Due adjustments to the accommodation value of those land comparables have been made to reflect factors including but not limited to time, location, and other characteristics between the land comparables and the Project Land in arriving at an assume accommodation value.

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	Interest of controlled corporations (<i>Note</i>)	32,054,066 (L)	0.65%

Note: These shares are directly held by Skill China Limited (“Skill China”) which is controlled by Dr. SO Shu Fai, an executive Director of the Company. Hence, by virtue of Part XV of the SFO, Dr. SO Shu Fai is deemed to be interested in the shares directly held by Skill China. Skill China is a company 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	359,466*	0.00%
HUANG Junlong	Beneficial owner	124,000*	0.00%
LIU Ning	Beneficial owner	148,601*	0.00%

Notes:

* These are the shares of CMSK, an intermediate controlling shareholder.

Save as disclosed above, 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, each of 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 Chairman 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, wholly-owned subsidiaries of CMSK.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have 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 2020 (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. 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.

7. 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.

8. EXPERTS AND CONSENT

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

Name	Qualifications
Cushman & Wakefield	A registered professional surveyor and an Independent Property Valuer
Deloitte Touche Tohmatsu	Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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 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 2020 (the date to which the latest published audited accounts of the Company were made up).

The reports from Deloitte Touche Tohmatsu dated 16 April 2021 set out in Appendices II and III to this circular and the valuation report from Cushman & Wakefield dated 16 April 2021 set out in Appendix V to this circular were given for information in this circular.

9. GENERAL

- a. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.
- b. The company secretary of the Company is Mr. Ng Ho. Mr. Ng holds a Master of Business degree from Monash University in Australia and is an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He has over 6 years of experience in compliance and listed company secretarial practice.

- 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 54, 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. the Capital Increase Agreement;
- b. a cooperation and development agreement entered into between China Merchants Land (Shenzhen) Co., Ltd.* (招商局置地(深圳)有限公司), a subsidiary of the Company, and Minmetals Shengshi Guangye (Beijing) Co., Ltd.* (五礦盛世廣業(北京)有限公司) on 28 October 2020 in relation to, among other things, the formation of Guangzhou Kuangyu Investment Co., Ltd.* (廣州市礦譽投資有限公司) for the purpose of acquiring interest in and the joint development of the Project Land;
- c. a cooperation agreement entered into between China Merchants Property (Nanjing) Limited* (招商局地產(南京)有限公司) and Nanjing Huade Real Estate Co., Limited* (南京鐸得房地產開發有限公司) and Nanjing Huayao Real Estate Co., Ltd* (南京鐸耀房地產開發有限公司) (“**Nanjing Huayao**”) on 16 June 2020 for the development of the Project Land through Nanjing Huayao;
- d. a guarantee agreement entered into between the Company and Bank of China (Hong Kong) Limited (the “**Bank**”) on 16 December 2019, pursuant to which the Company agreed to provide guarantee for the due performance of the repayment obligations of Sky Castle Limited (the “**Borrower**”), a company owned as to 40% by Sino Land Company Limited, 30% by K. Wah International Holdings Limited and 30% by the Company, in respect of the term loan facilities for the principal amount of up to HK\$5,273,000,000 provided by the Bank to the Borrower under a facility agreement dated 6 December 2019;
- e. a re-amended and restated non-competition deed entered into between the Company and CMSK on 21 October 2019, pursuant to which the Group will have the rights to participate in the REIT Management Business for Real Estate Investment Trusts (“**REITs**”) with underlying properties permitted to be situated in or come from all over the PRC on an exclusive basis and the Company in return are entitled to receive cash and/or units in the REITs; and

- f. an amended and restated non-competition deed entered into between the Company and CMSK on 17 December 2018, pursuant to which the businesses of CMSK and its subsidiaries (excluding the Group) and the Group are delineated by geographical delineation.

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, for a period of 14 days from the date of this circular:

- a. the memorandum and articles of association of the Company;
- b. the letter from the Board dated 16 April 2021, the text of which is set out on pages 4 to 9 of this circular;
- c. the annual reports of the Company for the two years ended 31 December 2019;
- d. the annual results announcement of the Company for the year ended 31 December 2020;
- e. the accountants' report of the Project Company dated 16 April 2021, 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 contribution dated 16 April 2021, the text of which is set out in Appendix III to this circular;
- g. the valuation report of Cushman & Wakefield dated 16 April 2021, 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 16 April 2021 referred to in the above paragraph headed "8. Experts and consents" in this appendix;
- j. the letter of consent from Cushman & Wakefield dated 16 April 2021 referred to in the above paragraph headed "8. Experts and Consents" in this appendix; and
- k. each of the circular issued by the Company pursuant to the requirements set out in Chapters 14 and 14A of the Listing Rules which has been issued since 31 December 2020, being the date of the latest audited accounts of the Company, including this circular.