

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF XI'AN SHANGLIN HUAYUAN REAL ESTATE CO., LTD.

TO THE DIRECTORS OF CHINA MERCHANTS LAND LIMITED

西安尚林華苑房地產有限公司

Introduction

We report on the historical financial information of Xi'an Shanglin Huayuan Real Estate Co., Ltd. (the "Project Company") set out on pages II-4 to II-12, which comprises the statement of financial position of the Project Company as at 30 June 2023, 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 1 June 2023 (date of establishment) to 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-12 forms an integral part of this report, which has been prepared for inclusion in the circular of China Merchants Land Limited (the "Company") dated 8 September 2023 (the "Circular") in connection with the proposed capital contribution into the Project Company for 99% of its equity interest.

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 2 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 this Circular in which the Historical Financial Information of the Project Company 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 2 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 30 June 2023 and of the Project Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-4 have been made.

Dividends

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

A handwritten signature in black ink, consisting of the words "Deloitte", "Touche", and "Tohmatsu" written in a cursive, flowing style.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 September 2023

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 ("HKFRSs") 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>NOTE</i>	For the period from 1 June 2023 (date of establishment) to 30 June 2023 RMB
Administrative expenses		<u>(307,625)</u>
Loss and total comprehensive expense for the period	5	<u><u>(307,625)</u></u>

STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	At 30 June 2023 RMB
Current Assets		
Property under development	8	1,267,415,000
Bank balance		<u>–</u>
		<u>1,267,415,000</u>
Current Liabilities		
Payable for acquisition of land use right	8	615,250,000
Loan from the sole shareholder	9	<u>652,472,625</u>
		<u>1,267,722,625</u>
Net liabilities		<u><u>(307,625)</u></u>
Capital and Reserve		
Paid-in capital	10	–
Accumulated loss		<u>(307,625)</u>
Deficiency of equity		<u><u>(307,625)</u></u>

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital RMB	Accumulated loss RMB	Total RMB
At 1 June 2023 (date of establishment)	–	–	–
Loss and total comprehensive expense for the period	<u>–</u>	<u>(307,625)</u>	<u>(307,625)</u>
At 30 June 2023	<u>–</u>	<u>(307,625)</u>	<u>(307,625)</u>

STATEMENT OF CASH FLOWS

	For the period from 1 June 2023 (date of establishment) to 30 June 2023 RMB
OPERATING ACTIVITIES	
Loss for the period	<u>(307,625)</u>
Operating cash flows before movement in working capital	(307,625)
Increase in leasehold lands included in the property under development (<i>Note 14</i>)	(1,047,415,000)
Increase in payable for acquisition of land use right	<u>615,250,000</u>
Net cash used in operating activities	<u>(432,472,625)</u>
CASH GENERATED FROM A FINANCING ACTIVITY	
Advance from the sole shareholder	<u>432,472,625</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	
Represented by bank balance	<u>–</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Xi'an Shanglin Huayuan Real Estate Co., Ltd. (the "Project Company") was established on 1 June 2023 and registered in the People's Republic of China (the "PRC") as a company with limited liability. Its immediate holding company is 成都華建益錦置業有限公司 Chengdu Huajian Yijin Real Estate Co., Ltd. ("Chengdu Huajian"), which was established in the PRC. Its ultimate holding company is 揚州市城建國有資產控股(集團)有限責任公司 Yangzhou Urban Construction State Owned Assets Holding (Group) Co., Ltd. On 30 June 2023, Chengdu Huajian entered into a cooperation agreement (the "Agreement") with 西安茂安房地產有限公司 Xi'an Mao On Property Development Company Limited ("Xi'an Mao On"), 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 Agreement, Chengdu Huajian and Xi'an Mao On shall jointly develop a piece of land situated at south of Hangfei Road, east of Wangyue Road, west of Jingdong Avenue, Aerospace Base, Xi'an City, Shaanxi Province (the "Xi'an 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 C409-D06, 4th Floor, Building 1, the Silk Road Intelligent Valley Commercial Street, Southeast of the Intersection of Shenzhou 6th Road and Hangtuo Road, National Civil Aerospace Industry Base, Xi'an City, Shaanxi Province (陝西省西安市國家民用航太產業基地神舟六路與航拓路十字東南絲路慧谷商業街區1號樓4層C409-D06).

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

No statutory financial statements of the Project Company have been prepared as it is newly established and the financial statements have not yet been due to issue.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 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.

In preparing the Historical Financial Information, the directors of the Project Company have given careful consideration to the future liquidity of the Project Company in light of the fact that as of 30 June 2023, the Project Company's current liabilities exceeded its current assets by approximately RMB307,625. The financial statements of the Project Company have been prepared on a going concern basis because its immediate holding company has agreed to provide adequate funds to enable the Project Company to meet in full its financial obligations as they fall due in the foreseeable future and not to request the Project Company to repay any amounts due to it until the Project Company has the financial ability to do so. Xi'an Mao On has also agreed to provide adequate funds to enable the Project Company to meet in full its financial obligations as they fall due in the foreseeable future and not to request the Project Company to repay these amounts after its proposed acquisition of the Project Company until the Project Company has the financial ability to do so.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Project Company has consistently applied the accounting policies which conform with HKFRSs issued by HKICPA, which are effective for the accounting period beginning on the first day of the period reported on throughout the Track Record Period.

Revised HKFRSs in issue but not yet effective

At the date of this report, the following amendments to HKFRSs have been issued which are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

The directors of the Project Company anticipate that the application of the amendments to HKFRSs will have no material impact on the financial statements of the Project Company in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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 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 material accounting policy information is set out below.

Property under development

Property under development being property to be developed for the purpose of sale in the ordinary course of business, is stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis, including the leasehold land element which is measured as a right-of-use asset, allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Project Company must incur to make the sale.

Financial instruments

Financial liabilities and equity instruments

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

Financial liabilities at amortised cost

Financial liabilities are recognised when the Project Company becomes a party to the contractual provisions of the instrument.

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

Financial liabilities (representing payable for acquisition of land use right and loan from the sole shareholder) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid that form an integral part of the effective interest rate) through the expected life of the financial liabilities, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

5. INCOME TAX EXPENSE

	For the period from 1 June 2023 (date of establishment) to 30 June 2023 RMB
Loss before tax	(307,625)
Tax at the PRC EIT rate of 25%	(76,906)
Tax effect of tax loss not recognised	76,906
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.

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. PROPERTY UNDER DEVELOPMENT AND PAYABLE FOR ACQUISITION OF LAND USE RIGHT

The amount represents the initial direct costs associated with the acquisition of the Xi'an Land and the related deed tax. The carrying amount (which is also the addition during the current period) of leasehold lands amounted to RMB1,267,415,000 is measured under HKFRS 16 "Leases" at cost less any accumulated depreciation, after taking into account of residual values, and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 30 June 2023.

The related payable for acquisition of the Xi'an Land is interest bearing at the effective interest rate of 3.65% and repayable within one year.

9. LOAN FROM THE SOLE SHAREHOLDER

The loan from the sole shareholder is unsecured, interest bearing at the effective interest rate of 3.65% and repayable on demand. The loan will be transferred to Xi'an Mao On based on the new shareholding ratio, after completing the acquisition of the Project Company by Xi'an Mao On.

Apart from above, no other material transactions were carried out with related parties during the period from 1 June 2023 (date of establishment) to 30 June 2023.

10. PAID-IN CAPITAL

	Paid-in capital RMB
Registered and paid-up capital (<i>Note</i>) At 1 June 2023 and 30 June 2023	-

Note: As at 30 June 2023, the Project Company has registered capital of RMB10,000,000 that had not yet paid.

11. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Loan from the sole shareholder RMB
At 1 June 2023 (date of establishment)	–
Financing cash flow	432,472,625
Non-cash transaction (<i>Note 14</i>)	<u>220,000,000</u>
At 30 June 2023	<u><u>652,472,625</u></u>

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 shareholder 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, loan from the sole shareholder and equity attributable to owners of the Project Company comprising paid-in capital net of accumulated loss.

The directors of the Project Company review 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 30 June 2023 RMB
Financial asset	
At amortised cost	<u><u>–</u></u>
Financial liabilities	
At amortised cost	<u><u>1,267,722,625</u></u>

Financial risk management objectives and policies

The Project Company's major financial instruments include bank balance, payable for acquisition of land use right and loan from the sole shareholder. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risks (including interest rate 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's fair value interest rate risk relates primarily to its fixed-rate interest bearing shareholder's loan and payable for acquisition of land use right.

The Project Company currently does not have an interest rate hedging policy in relation to fair value interest rate risk and 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 arise.

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.

Shareholder's loan and payable for acquisition of land use right which are both interest bearing at the effective interest rate of 3.65% are repayable within one year. 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 liabilities 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 liabilities recognised in the financial statements approximate their fair values.

14. NON-CASH TRANSACTION

During the period ended 30 June 2023, part of the costs for Xi'an Land amounted to RMB220,000,000 was paid on behalf by the sole shareholder of the Project Company.

15. 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.