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CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

**CONTINUING CONNECTED TRANSACTIONS
OPERATION AGREEMENT AND
PROPERTY MANAGEMENT AGREEMENT**

OPERATION AGREEMENT

The Board is pleased to announce that on 30 January 2019, the Company entered into the Operation Agreement with CMSK pursuant to which the Group will provide project operational support services to CMSK, including but not limited to taking charge of land acquisition, project development and sales, commencing from 30 January 2019 up to 31 December 2021 (both days inclusive). CMSK is the controlling shareholder of the Company holding approximately 74.35% of the issued share capital of the Company.

PROPERTY MANAGEMENT MASTER AGREEMENT

On the same date, the Company also entered into the Property Management Master Agreement with Merchants Property Management pursuant to which Merchants Property Management, a wholly-owned subsidiary of CMSK, will provide property management services to the Group's PRC operating subsidiaries, commencing from 30 January 2019 up to 31 December 2021 (both days inclusive).

LISTING RULES IMPLICATIONS

Since each of CMSK and Merchants Property Management is a connected person of the Company under the Listing Rules, the transactions contemplated under the Operation Agreement and Property Management Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since none of the relevant applicable percentage ratios (defined under the Listing Rules) of the proposed annual caps of the transactions under the Operation Agreement and the proposed annual caps of the transactions under the Property Management Master Agreement exceeds 5%, the continuing connected transactions under the Operation Agreement and the Property Management Master Agreement are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to: (i) the circular of the Company dated 10 October 2013; (ii) the announcement of the Company dated 29 December 2015; and (iii) the announcement of the Company dated 24 May 2017, in relation to: (i) the 2013 Operation Agreement and 2013 Property Management Master Agreement; (ii) the 2016 Operation Agreement and 2016 Property Management Master Agreement; and (iii) revision of annual caps for continuing connected transactions, respectively, entered into between CMSK (formerly known as CMPD) and the Company and Merchants Property Management and the Company, respectively. After considering the Group's need for property management services, and CMSK's need for project operation support services, the parties to the said agreements intend to enter into the Operation Agreement and Property Management Master Agreement in accordance with their respective terms and subject to the compliance with the Listing Rules. Set out below are the summaries of the principal terms of the Operation Agreement and the Property Management Master Agreement.

THE OPERATION AGREEMENT

Date

30 January 2019

Parties

- (a) The Company; and
- (b) CMSK, a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 001979). CMSK, through its subsidiaries, is principally engaged in real estate development and property management. CMSK is one of the controlling shareholders of the Company indirectly holding approximately 74.35% of the issued share capital of the Company, which is in turn controlled by China Merchants Group Co., Ltd., a state-owned conglomerate regulated by the State Owned Assets Supervision and Administration Commission. Accordingly, CMSK and its ultimate controllers are connected persons of the Company under Chapter 14A of the Listing Rules.

Duration of the Operation Agreement

Commencing from 30 January 2019 to 31 December 2021 (both days inclusive) which may be early terminated by either party by giving not less than 3 months' written notice to the other party, provided that unless there is a serious breach of contract by the Company, CMSK should not terminate the Operation Agreement during the term of the Operation Agreement.

Subject Matter

Under the Operation Agreement, the Group has full discretion to deal with the operational matters of the Operation Transitional Projects managed under the Operation Agreement, including but not limited to:

- application for approvals in relation to project development;
- project construction management;
- cost management;
- financial management;

- planning for construction period, sale period, marketing events and pricing;
- completion inspection and property delivery; and
- archive management.

It is agreed by both parties that the Company will be the sole service provider for the projects managed under the Operation Agreement.

Basis of determining the consideration

CMSK will pay a pre-agreed management fee to the Company for providing the operational support services. Such management fee will be determined on an arm's length basis, taking into account the estimated costs and a proper level of profits for providing the operational support services. It will be calculated with reference to 1.5% of the estimated annual pre-sale amount of the project operated and managed under the Operation Agreement. The figure of 1.5% is determined with reference to the rate of management fees charged to other Independent Third Parties by the Group for providing similar operational support services to CMSK, which was also determined on normal commercial terms at arm's length.

It is agreed by both parties that the price of the transaction under the Operation Agreement will be determined by taking into account the development scale and cycle of the project. Generally speaking, the rate of management fees is lower for larger scale project due to the synergy by integrating the staffing and services for different phases of the specific large scale project. The rate of management fees is higher for projects in their earlier development cycle than those in their later development cycle, because the former will involve more complicated operation and management work, including positioning and planning of the project, preparation for the relevant approvals and permits, and selection of suppliers and contractors, etc.

Specifically, the Company would propose 1.5% of the pre-sale amount for Evian International, because its development has already been completed in November 2015 and is currently in the sales period, which will require limited operational support services.

CMSK or its subsidiaries and the Company or its subsidiaries will enter into a specific operational support service agreement in relation to each Operation Transitional Project, in which details of the operational support services will be stipulated more specifically. The management fees for the transaction under the Operation Agreement will be paid on a semi-annual basis.

Historical transaction amounts

Since the 2016 Operation Agreement came into effect on 1 January 2016 and was effective up to 31 December 2018, the Group had been providing the operation and management services in respect of real estate development projects to CMSK in the ordinary and usual course of business of the Group. The aggregate amount of such operational support services provided by the Group to CMSK were approximately RMB5,534,000 for the year ended 31 December 2016, approximately RMB5,624,000 for the year ended 31 December 2017 and approximately RMB2,722,000 (unaudited) for the year ended 31 December 2018, respectively.

Proposed Annual Caps

The Company proposes to adopt the following annual caps for the transactions under the Operation Agreement for each of the three years ending 31 December 2019, 2020 and 2021:

Transaction

Proposed Annual Caps		
for the year ending 31 December		
2019	2020	2021
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>

Maximum aggregate annual transaction amount
to be paid by CMSK to the Company

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In arriving at the above annual caps, the Directors have taken into account (i) the estimated annual pre-sale amount for the Operation Transitional Project in each of the 3 years ending 31 December 2021, which are approximately RMB400,000,000, RMB51,000,000 and RMB36,000,000; and (ii) these amounts multiplied by a rate of 1.5% which is based on the development stage of the projects to be managed under the Operation Agreement.

PROPERTY MANAGEMENT AGREEMENT

Date

30 January 2019

Parties

- (a) The Company; and
- (b) Merchants Property Management, a wholly-owned subsidiary of CMSK and principally engaged in the provision of property management services.

Duration of the Operation Agreement

Commencing from 30 January 2019 up to 31 December 2021 (both days inclusive) which may be early terminated by either party by giving not less than 3 months' written notice to the other party.

Subject Matter

Under the Property Management Master Agreement, the following property management services will be provided to the Group:

- i. general property management services, including security, cleaning services, maintenance of the public area of the building and the maintenance of the equipment, as well as management of the parking lot, etc.;
- ii. sales-related property management services, including reception services and the management of the sample apartments, etc.;
- iii. procuring and administering the supply and installation of property intelligent system and devices;
- iv. property design and engineering consulting services, including providing proposals for project planning and property design, conducting property engineering quality inspections; performing pre-delivery property evaluation, and providing property defect identification and reporting services; and
- v. procuring third parties to perform simulated completion inspection services

The Company has the right to terminate the Property Management Master Agreement if Merchants Property Management breaches its obligation in any material respect.

Basis of determining the consideration

The consideration to be paid by the Group to Merchants Property Management under the Property Management Master Agreement will include the following fees:

For general property management and sales-related property management services

- i. labour costs, necessary material costs, cleaning costs, water and electricity costs, etc.;
- ii. the costs incurred by temporary management tasks requested by the Company in writing, which mainly include but not limited to management and reception services for any marketing events organised by the sales office of the property project;
- iii. commission for the management service, which will be determined by the Company in accordance with market practice and the actual request, and will generally be 12% of the total amount set forth in items (i) and (ii) above. Such rate can be adjusted at the discretion of the Company based on the performance of Merchants Property Management up to 20% upward or downward;

For property intelligent systems related services

- iv. costs of necessary major materials and devices and ancillary materials procured by Merchants Property Management with labour, storage and management fees plus a reasonable profit and profit tax;
- v. the costs of labour, ancillary materials, storage and management (excluding profit and tax) (“Miscellaneous Costs”) to be incurred by Merchants Property Management shall be estimated on the basis of the market rate of similar miscellaneous costs.
- vi. reasonable profit shall be equal to 5% of the total fees payable to Merchants Property Management consisting of the costs of major materials and devices and ancillary materials and the Miscellaneous Costs. The amount of taxes shall be determined based on actual amounts of profit taxes payable by Merchants Property Management in accordance with the local laws and regulations.

For property design and engineering consulting services and third party simulated completion inspection services

- vii. costs of property design and engineering consulting services, with the cost to be calculated according to the unit price of the unit building area as follows: (a) Buildings in first-tier cities RMB3.00 per square meter; and (b) buildings in second-tier cities are RMB2.50 per square meter.

For the fees under item (i) above, Merchants Property Management shall submit annually a proposed budget for the Company's review and approval. The proposed budget should set out a detailed staffing plan, the corresponding salary standard and the proposed maximum management fee per square meter of the relevant property project (which will be reviewed and assessed based on the specific positioning of each property project, with reference to the rate of management fee charged to other similar properties in the same area, and to the rate of management fees charged by other Independent Third Party property management company for providing similar property management services), which are also determined on normal commercial terms at arm's length. Once the budget is approved by the Company, Merchants Property Management shall carry out the property management services within such budget.

For the fees under item (ii) above, the Company will fix a maximum amount in its written request for the relevant temporary management task each time, taking into account the specific nature and scale of and resources needed for such temporary management task. Merchants Property Management shall control the costs incurred accordingly.

In respect of items (iii) to (vi) above, the parties will review individual fee items on a yearly basis and Merchants Property Management shall conduct an open tender every year to invite quotations from its suppliers of the necessary major materials and devices and major ancillary materials based on the standards, brands and grades required by the Group for individual projects and report the tendered prices of the selected suppliers to the Group to enable the Group to review and agree on the fees of necessary major materials and devices and major ancillary materials for the following year.

In respect of the procurement of supply and installation of property intelligent system and devices, the Group has the right to invite quotations from other contractors and has the sole discretion to decide whether to allocate such works to Merchants Property Management for individual real estate projects. Detailed terms including types and quantities of devices and systems required for individual real estate projects, specifications and quality standards of the works will be governed by individual property management agreements entered into between the relevant PRC Operating Subsidiaries and Merchants Property Management which shall follow the terms and principles under the Property Management Master Agreement.

The property management fees for each transaction under the Property Management Master Agreement will be paid on a monthly basis.

Historical transaction amounts

Since the 2016 Property Management Master Agreement came into effect on 1 January 2016 and was effective up to 31 December 2018, the Group had been receiving property management services provided by Merchants Property Management in the ordinary and usual course of business of the Group. The aggregate amount of such property management services provided by Merchants Property Management to the Group amounted to approximately RMB129,744,000 from 1 January 2016 to 31 December 2016, approximately RMB103,479,000 for the year ended 31 December 2017 and approximately RMB132,848,000 (unaudited) for the year ended 31 December 2018, respectively.

Proposed Annual Caps

The Company proposes to adopt the following annual caps for the transactions under the Property Management Master Agreement for each of the three years ending 31 December 2019, 2020 and 2021:

Transaction

	Proposed Annual Caps		
	for the year ending 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum aggregate annual transaction amount to be paid by the Group to Merchants Property Management under the Property Management Master Agreement	180	200	220

In arriving at the above annual caps, the Directors have taken into account (i) the historical and existing transactions amount for the services provided by Merchants Property Management to the Company's PRC operating subsidiaries; and (ii) the number of projects to be completed and the corresponding needs for property management services under the Property Management Master Agreement in the three consecutive years ending 31 December 2019, 2020 and 2021.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

Operation Agreement

As disclosed in the Circular and the Announcement, as a result of the Company's acquisition of the Target Group from CMSK (formerly known as CMPD), a project owned by CMSK (formerly known as CMPD), namely, Evian International in Foshan will continue to be owned and controlled by CMSK after completion of the acquisition. The Company and CMSK (formerly known as CMPD) entered into the 2013 Operation Agreement pursuant to which the Group will operate and manage the Operation Transitional Projects, namely, Evian International until its completion and sale. This Operation Transitional Project will continue to be owned by CMSK Group and the revenue derived from them will belong to CMSK Group.

The Operation Transitional Project is expected to be completed and sold by CMSK. During the period before they are completed and sold, but subject to the fixed term of the 2016 Operation Agreement, they have been operated and managed by the Group for a fee, and upon the expiry of the term of the 2016 Operation Agreement, the Group and CMSK intend that the projects will continue to be operated and managed by the Group for a fee. Therefore, the Company and CMSK have entered into the Operation Agreement to set out the terms of such transactions.

Property Management Master Agreement

As disclosed in the Circular and the Announcement, in the ordinary and usual course of business of the Group's PRC operating subsidiaries, based on the terms and conditions of the Existing Property Management Master Agreement, they have entered into individual property management agreements from time to time with Merchants Property Management. Pursuant to the individual property management agreements, Merchants Property Management provides property management services to the Group's PRC operating subsidiaries on a non-exclusive basis. The parties have agreed that Merchants Property Management will continue to provide property management services to the Group's PRC operating subsidiaries after the expiry of the 2016 Property Management Master Agreement on 31 December 2018. Therefore, the parties have entered into the Property Management Master Agreement to set out the terms of the transactions.

The terms of each of the Operation Agreement and the Property Management Master Agreement have been arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Operation Agreement and the Property Management Master 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.

LISTING RULES IMPLICATIONS

CMSK is the controlling shareholder of the Company and is indirectly interested in approximately 74.35% of the issued share capital of the Company. Merchants Property Management is a wholly-owned subsidiary of the CMSK. Since each of CMSK and Merchants Property Management is a connected person of the Company under the Listing Rules, the transactions contemplated under the Operation Agreement and the Property Management Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since none of the relevant applicable percentage ratios (defined under the Listing Rules) of the proposed annual caps of the transactions under the Operation Agreement and the proposed annual caps of the transactions under the Property Management Master Agreement exceeds 5%, the continuing connected transactions under the Operation Agreement and the Property Management Master Agreement are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2013 Management Master Agreement”	a property management agreement dated 19 June 2013 entered into between the Company and Merchants Property Management in respect of, among other things, the provision of certain property management services by Merchants Property Management to the Group for a fixed term of 3 years commencing from 1 November 2013 until 31 December 2015 (both days inclusive)
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“2013 Operation Agreement”	an operation support services framework agreement dated 19 June 2013 entered into between the Company and CMSK in respect of, among other things, the provision of project operational support services by the Group to CMSK for a fixed term of commencing from 1 November 2013 until 31 December 2015 (both days inclusive)
“2016 Operation Agreement”	an operation support services framework agreement dated 29 December 2015 entered into between the Company and CMSK in respect of, among other things, the provision of project operational support services by the Group to CMSK for a fixed term of 3 years commencing from 1 January 2016 until 31 December 2018 (both days inclusive)
“2016 Property Management Master Agreement”	a property management agreement dated 29 December 2015 entered into between the Company and Merchants Property Management in respect of, among other things, the provision of certain property management services by Merchants Property Management to the Group for a fixed term of 3 years commencing from 1 January 2016 until 31 December 2018 (both days inclusive)
“CMPD”	China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司), a company established in the PRC, and a controlling shareholder of the Company
“CMSK”	China Merchants Shekou Industrial Zone Co., Ltd.* (招商局蛇口工業區有限公司) a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 001979), and is one of the controlling shareholders of the Company
“Company”	China Merchants Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 978)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Merchants Property Management”	Merchants Property Management Co., Ltd.* (招商局物業管理有限公司), a company established in the PRC and wholly owned by CMSK
“Operation Agreement”	an operation support services framework agreement dated 30 January 2019 entered into between the Company and CMSK in respect of, among other things, the provision of project operational support services by the Group to CMSK commencing from 30 January 2019 until 31 December 2021 (both days inclusive)
“Operation Transitional Project”	Evian International in Foshan, being the real estate development project that will continue to be owned by CMSK Group after the completion of acquisition of the Target Group by the Company on 1 November 2013
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)

“Property Management Master Agreement”	a property management agreement dated 30 January 2019 entered into between the Company and Merchants Property Management in respect of, among other things, the provision of certain property management services by Merchants Property Management to the Group commencing from 30 January 2019 until 31 December 2021 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

By Order of the Board
China Merchants Land Limited
XU Yongjun
Chairman

Hong Kong, 30 January 2019

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

* *Unofficial English translation denotes for identification purposes only*