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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 TRANSACTION:
SETTING OF NEW ANNUAL CAPS FOR PROVISION OF
REIT MANAGEMENT SERVICES**

REIT MANAGEMENT TRANSACTION

Reference is made to the announcements of the Company dated 28 November 2019 and 25 March 2020, which contained, among other things, particulars of the provision of the REIT Management Services by CMLAM to CMC REIT pursuant to the Trust Deed, together with the annual caps for the transactions under the Trust Deed for each of the three financial years ending 31 December 2021.

This announcement is to provide details of the new annual caps for the REIT Management Transaction under the Trust Deed for each of the three financial years ending 31 December 2024 and to recap the particulars of the terms and conditions of the REIT Management Transaction as described in the Announcements and provide other relevant updated information.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CMSK, a controlling shareholder of the Company holding approximately 74.35% of the Company's issued share capital, is a Unitholder holding approximately 35.49% of the Units of CMC REIT. Accordingly, CMC REIT is an associate of CMSK and hence a connected person of the Company at issuer level pursuant to the Listing Rules. Therefore, the REIT Management Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Proposed Annual Caps exceeds 0.1% but less than 5% on an annual basis, the REIT Management Transaction is subject to reporting, annual review and announcement requirements but exempt from the circular and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As the term of the Trust Deed is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company appointed Altus Capital Limited as the independent financial adviser to issue an independent opinion to explain why the Trust Deed requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Please refer to the announcement of the Company dated 28 November 2019 for the opinion from the independent financial adviser.

INTRODUCTION

Reference is made to the announcements of the Company dated 28 November 2019 and 25 March 2020 (the "**Announcements**"), which contained, among other things, particulars of the provision of the REIT Management Services by CMLAM to CMC REIT pursuant to the Trust Deed, together with the annual caps for the transactions under the Trust Deed for each of the three financial years ending 31 December 2021.

This announcement is to provide details of the new annual caps for the REIT Management Transaction under the Trust Deed for each of the three financial years ending 31 December 2024 and to recap the particulars of the terms and conditions of the REIT Management Transaction as described in the Announcements and provide other relevant updated information.

REIT MANAGEMENT TRANSACTION

Pursuant to the Trust Deed, CMLAM has been providing the REIT Management Services to CMC REIT. The principal terms of the Trust Deed in relation to the REIT Management Transaction are set out below.

Date

The Trust Deed was entered into on 15 November 2019 and amended by the first amending and restating deed dated 26 July 2021.

Parties

- (a) CMLAM (as manager); and
- (b) DB Trustees (Hong Kong) Limited (as trustee).

Term

The term of the Trust Deed is 80 years less one day, commencing on the date when the Trustee receives the cash amount of HK\$100.00 in cash as the Deposited Property from CMLAM.

Subject matter

CMC REIT is a real estate investment trust constituted and governed by the Trust Deed. Pursuant to the Trust Deed, CMLAM has full discretion to deal with its duties as manager of CMC REIT under the Trust Deed, including but not limited to:

- (a) manage CMC REIT and the Deposited Property in accordance with the Trust Deed in the sole interests of the Unitholders of CMC REIT;
- (b) fulfill the duties imposed on it under applicable law as the manager of CMC REIT;
- (c) ensure that in managing CMC REIT, it has sufficient oversight of the daily operations and financial conditions of CMC REIT and the Deposited Property, and shall remain to be the key decision-maker of all material matters relating to the management of CMC REIT;

- (d) ensure that the financial and economic aspects of Deposited Property are professionally managed in the sole interest of the Unitholders of CMC REIT, including:
 - (i) formulating the investment strategy and policy of CMC REIT and managing risks connected with CMC REIT efficiently;
 - (ii) determining the borrowing limit of CMC REIT, complying at all times with the provisions of the Trust Deed;
 - (iii) investing the Deposited Property only in real estate and other authorised investments;
 - (iv) monitoring and supervising the cash flow management of CMC REIT;
 - (v) monitoring and supervising the management of the financial arrangements of CMC REIT;
 - (vi) formulating distribution payment schedules of CMC REIT;
 - (vii) arranging adequate property insurance and public insurance coverage in accordance with the clauses in the Trust Deed;
 - (viii) planning the tenant mix and identifying potential tenants for the real estate;
 - (ix) formulating and implementing leasing strategies for the real estate;
 - (x) enforcing tenancy conditions for the real estate;
 - (xi) ensuring compliance with government regulations in respect of real estate; and
 - (xii) performing tenancy administration work, including managing tenants occupancy and ancillary amenities, and negotiating with tenants on grant, surrender and renewal of leases, rent review, termination and re-letting of premises.

Consideration and terms of payment

Base Fee

As the manager of CMC REIT, CMLAM shall be entitled to receive, commencing from and including the Listing Date, for its own account, out of the Deposited Property on a semi-annual basis, the base fee at the rate of 10.0% per annum of the Annual Distributable Income (as elaborated below) in accordance with the clauses of the Trust Deed (the “**Base Fee**”). The Base Fee shall be paid to CMLAM in the form of cash or, at the election of CMLAM, entirely or partly in the form of Units.

Annual Distributable Income for a Financial Year is the amount calculated by CMLAM (based on the audited financial statements of the CMC REIT for that Financial Year) as representing the consolidated audited net profit after tax of the CMC REIT and the Special Purpose Vehicles for that Financial Year, taking into account the Adjustments but excludes for any additional discretionary distributions out of capital.

For the purposes of the Trust Deed, “**Adjustments**” means adjustments of certain items which are charged or credited to the consolidated statement of profit or loss and other comprehensive income for the relevant Financial Year or the relevant Distribution Period (as the case may be) of the CMC REIT and the Special Purpose Vehicles (pro-rated, if applicable, to the CMC REIT’s interest in the real estate held), including, but not limited to:

- (a) unrealised property revaluation gains and losses, including impairment provisions and reversals of impairment provisions;
- (b) goodwill impairment (charged) and/or negative goodwill (credited);
- (c) differences between financial costs recognised on the financial statements and interest paid and payable in accordance with contractual obligations during that Financial Year or that Distribution Period (as the case may be);
- (d) realised gains on the disposal of properties and/or disposal of the Special Purpose Vehicle which holds such properties;
- (e) fair value gains and losses on financial instruments;

- (f) deferred tax charges/credits in respect of property valuation movements, commercial building allowances/capital allowances, withholding tax on retained profits to be distributed and other tax losses or other deductions claimed;
- (g) allocation of statutory common reserve as required by applicable laws;
- (h) the portion of the management fee that is paid in the form of Units;
- (i) non-cash foreign exchange gains or losses;
- (j) costs of any public offering of Units, convertible instruments or other forms of debt and/or securities that are expensed through the consolidated statement of profit or loss and other comprehensive income but are funded by proceeds from the issuance of such Units, convertible instruments or other forms of debt and/or securities;
- (k) depreciation and amortisation in respect of a real estate directly or indirectly owned by the CMC REIT, and its ancillary machinery, equipment and other fixed assets;
- (l) other material non-cash gains/losses, in each case as recorded in the consolidated statement of profit or loss and other comprehensive income for the Financial Year; and
- (m) the effects of any amount paid to CMLAM, the Trustee or the CMC REIT pursuant to the DPU Commitment or otherwise for the express purpose of distribution to the Unitholders.

Variable Fee

As the manager of CMC REIT, CMLAM shall also be entitled to receive, for its own account, out of the Deposited Property on an annual basis, the variable fee at the rate of 25% per annum of the difference in distributions per unit of CMC REIT in a Financial Year compared to the preceding Financial Year, multiplied by the weighted average number of Units in issue for such Financial Year (the “**Variable Fee**”). No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2022. The Variable Fee shall be paid to CMLAM in the form of cash or, at the election of CMLAM, entirely or partly in the form of Units.

Acquisition Fee and Divestment Fee

As the manager of CMC REIT, CMLAM is also entitled to receive:

- (a) an acquisition fee not exceeding the rate of 1% (and being 1% as at the date of the Trust Deed) of the acquisition price of any real estate asset acquired directly or indirectly by CMC REIT (pro-rated if applicable to the proportion of CMC REIT's interest in the real estate acquired) (the "**Acquisition Fee**"); and
- (b) a divestment fee not exceeding the rate of 0.5% (and being 0.5% as at the date of the Trust Deed) of the sale price of any real estate in the form of land sold or divested directly or indirectly by CMC REIT (pro-rated if applicable to the proportion of CMC REIT's interest in the real estate sold) (the "**Divestment Fee**").

Expenses and Reimbursement

CMLAM is entitled to apply, or to be reimbursed from, the Deposited Property for all liabilities that may be properly suffered or incurred by CMLAM in the performance of its obligations or the exercise of its powers under the Trust Deed or other constitutive documents of CMC REIT, except for the fraud, negligence, willful default, breach of trust or the REIT Code or any applicable laws or regulations, or breach of the Trust Deed or other constitutive documents caused by CMLAM.

Basis of determining the consideration

The above consideration was determined on the basis of commercial negotiations and (where applicable) by reference to other similar transactions in the market.

HISTORICAL AMOUNTS

The historical transaction amounts paid by CMC REIT to the Group in relation to the provision of REIT Management Services under the Trust Deed for the financial years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 are set out as follows:

	For the years ended		For the
	31 December		six months
	2019	2020	ended
	(audited)	(audited)	30 June
	<i>(million)</i>	<i>(million)</i>	2021
			(unaudited)
			<i>(million)</i>
Aggregate transaction amounts paid by CMC REIT to the Group (which only consisted of the Base Fee) (approximate amount in RMB)	1.36	18.07	9.11

PROPOSED ANNUAL CAPS

The proposed annual caps for the REIT Management Transaction under the Trust Deed for each of the three financial years ending 31 December 2022, 2023 and 2024 are set out as follows:

	For the years ending		
	31 December		
	2022	2023	2024
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Maximum aggregate annual transaction amounts to be paid by CMC REIT to the Group (approximate amount in RMB)	56.2	57.4	58.7

The proposed annual caps for the REIT Management Transaction under the Trust Deed for the years ending 31 December 2022, 2023 and 2024 were determined with reference to (i) the historical transaction amounts paid by CMC REIT to the Group which only consisted of the Base Fee; (ii) the possible increase in occupancy rate and unit rent of the properties owned by CMC REIT under the improved pandemic situation and renovation upgrade, which would increase the Annual Distributable Income and in turn increase the Base Fee payable by CMC REIT to the Group; and (iii) the gearing ratio of CMC REIT being lower than that is permitted under the REIT Code which will enable CMC REIT to borrow and finance the acquisition of more properties and require REIT Management Services from the Group which will positively affect the Base Fee and the Acquisition Fee.

The calculation of the Proposed Annual Caps is based on the following assumptions:

- (a) there is no other Unit issued during the three financial years ending 31 December 2024;
- (b) there is no change to the calculation of the Base Fee;
- (c) no Variable Fee, Divestment Fee or expenses and reimbursement shall be payable to CMLAM within the three financial years ending 31 December 2024; and
- (d) there is a 5% increment on the Base Fee for each of the three financial years ending 31 December 2024.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

The REIT Management Transaction under the Trust Deed has been entered into as part of the normal business of the Group to provide asset management services. The Group expects to continue its provision of REIT Management Services to develop diversified revenue streams.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the Trust Deed and the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable, on normal commercial terms or better which have been arrived at after arm's length negotiations and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

As Mr. XU Yongjun, Mr. HUANG Junlong and Ms. LIU Ning, each a non-executive Director, hold positions in CMSK and Mr. WONG King Yuen and Mr. Yu Zhiliang, each an executive Director, hold positions in CMSK and/or its associates, in order to avoid any actual or potential conflict of interest, each of them had abstained from voting at the relevant board meeting on the relevant resolutions approving the Trust Deed and the transactions contemplated thereunder and the Proposed Annual Caps.

PARTICULARS OF THE PARTIES

CMLAM is a company incorporated in Hong Kong with limited liability with a sole purpose of managing CMC REIT and its assets. CMLAM is an indirect wholly-owned subsidiary of the Company.

CMC REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. The principal activity of CMC REIT is investment holding and its subsidiaries own and invest in income-producing commercial properties in Shekou, Shenzhen with the objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in the net asset value per Unit. CMSK is a Unitholder holding approximately 35.49% of the Units of CMC REIT and its controlling shareholder is CMG, which holds more than 63% of the total issued share capital of CMSK and is a state-owned conglomerate regulated by the national State-Owned Assets Supervision and Administration Commission of the State Council.

The Trustee is a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee of collective investment schemes authorised under the SFO pursuant to the REIT Code. The Trustee is an indirect wholly-owned subsidiary of Deutsche Bank AG, a company listed on the Frankfurt Stock Exchange (FWB: DBK) and the New York Stock Exchange (NYSE: DB).

LISTING RULES IMPLICATIONS

As at the date of this announcement, CMSK, a controlling shareholder of the Company holding approximately 74.35% of the Company's issued share capital, is a Unitholder holding approximately 35.49% of the Units of CMC REIT. Accordingly, CMC REIT is an associate of CMSK and hence a connected person of the Company at issuer level pursuant to the Listing Rules. Therefore, the REIT Management Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Proposed Annual Caps exceeds 0.1% but less than 5% on an annual basis, the REIT Management Transaction is subject to reporting, annual review and announcement requirements but exempt from the circular and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As the term of the Trust Deed is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company appointed Altus Capital Limited as the independent financial adviser to issue an independent opinion to explain why the Trust Deed requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Please refer to the announcement of the Company dated 28 November 2019 for the opinion from the independent financial adviser.

DEFINITIONS

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

“Annual Distributable Income”	has the meaning given to it under the section headed “Consideration and terms of payment – Base Fee” in this announcement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CMC REIT”	China Merchants Commercial Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO

“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 immediate controlling shareholder of CMSK holding more than 63% of the total issued share capital of CMSK
“CMLAM”	China Merchants Land Asset Management Co., Limited (formerly known as Fair Winner Enterprises Limited), a company incorporated in Hong Kong with limited liability on 22 June 2019 which is an indirect wholly-owned subsidiary of the Company and the manager of CMC REIT
“CMSK”	China Merchants Shekou Industrial Zone Holdings Co. Ltd. (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), 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 date of this announcement
“Committed DPU”	the annualised DPU committed by Eureka for the periods during the period from the Listing Date to 31 December 2022 pursuant to the DPU Commitment
“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 in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Deposited Property”	all of the assets of CMC REIT, including all its authorised investments for the time being held or deemed to be held upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of Units

“Director(s)”	the director(s) of the Company
“Distribution Calculation Date”	in each year occurring after the Listing Date, 30 June, 31 December and/or such other date or dates as CMLAM may determine in its discretion, provided that the first Distribution Calculation Date shall occur on 30 June 2020
“Distribution Period”	<p>(a) for the first Distribution Period, the period from and including the Listing Date to and including 30 June 2020;</p> <p>(b) for the last Distribution Period, the period from and including the day after the immediately preceding Distribution Calculation Date to and including the date on which the completion of the liquidation of the CMC REIT occurs; and</p> <p>(c) in all other circumstances, the period from and including the day after the immediately preceding Distribution Calculation Date to and including the next occurring Distribution Calculation Date</p>
“DPU”	distribution(s) per Unit
“DPU Commitment”	the deed of commitment dated 22 November 2019 and entered into between Eureka, CMLAM and the Trustee pursuant to which Eureka provided a commitment that the DPU of CMC REIT for the periods during the period from the Listing Date to 31 December 2022 will not be less than the corresponding Committed DPU
“Eureka”	Eureka Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CMSK, being a controlling shareholder of the Company
“Financial Year”	(a) for the first Financial Year, the period from and including the Listing Date to 31 December 2019;

- (b) for the last Financial Year, the period from and including the most recent 1 January before the date on which the completion of the liquidation of the Trust occurs and including the date of such occurrence; and
- (c) in all other circumstances, the 12-month period ending on 31 December in each year

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Date”	10 December 2019, being the date on which the Units are first listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Proposed Annual Caps”	the proposed annual caps for the REIT Management Transaction under the Trust Deed for each of the three financial years ending 31 December 2022, 2023 and 2024
“REIT(s)”	schemes constituted as real estate investment trusts authorised by the SFC in accordance with the Code on Real Estate Investment Trusts

“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended, supplemented or otherwise modified for the time being) or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC
“REIT Management Services”	services provided to REITs by management companies acceptable to the SFC and their respective subsidiaries in accordance with the REIT Code
“REIT Management Transaction”	the transaction contemplated under the Trust Deed in relation to the provision of REIT Management Services by CMLAM to CMC REIT
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Special Purpose Vehicle”	a special purpose vehicle that is incorporated, owned and controlled in accordance with the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Trust Deed”	the trust deed dated 15 November 2019 entered into between CMLAM and the Trustee as amended by the first amending and restating deed dated 26 July 2021

“Trustee”	DB Trustees (Hong Kong) Limited, or any other person appointed to act as trustee of CMC REIT in accordance with the provisions of the Trust Deed
“Unit(s)”	unit(s) of CMC REIT
“Unitholder(s)”	the person for the time being entered in the register of holders of Units as the holder of a Unit and (where the context so admits) persons jointly so entered
“%”	per cent.

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

Hong Kong, 21 December 2021

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.