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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**

The Board is pleased to announce that on 20 December 2024, 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 1 January 2025 up to 31 December 2027 (both days inclusive).

### **PROPERTY MANAGEMENT MASTER AGREEMENT**

On 20 December 2024, the Company also entered into the Property Management Master Agreement with Merchants Property Management pursuant to which Merchants Property Management, a non-wholly owned subsidiary of CMSK, will provide property management services to the Group's PRC operating subsidiaries, commencing from 1 January 2025 (subject to the approval of the Property Management Master Agreement by the Independent Shareholders at the EGM) up to 31 December 2027 (both days inclusive).

## **REIT MANAGEMENT TRANSACTION**

Reference is made to the announcements of the Company dated 28 November 2019, 25 March 2020 and 21 December 2021, 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 and for each of the three financial years ending 31 December 2024.

This announcement will also 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 2027 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, (i) CMSK is a controlling shareholder of the Company holding approximately 74.35% of the Company's issued share capital; (ii) Merchants Property Management is a non-wholly owned subsidiary of CMSK; and (iii) CMSK is a Unitholder holding approximately 35.49% of the Units of CMC REIT. Accordingly, (i) CMSK is a connected person of the Company pursuant to the Listing Rules; and (ii) each of Merchants Property Management and CMC REIT is an associate of CMSK and hence a connected person of the Company pursuant to the Listing Rules. Therefore, the transactions contemplated under the Operation Agreement and the Property Management Master Agreement and the REIT Management Transaction constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Regarding the REIT Management Transaction and the transactions contemplated under the Operation Agreement, as the highest of all applicable percentage ratios in respect of the relevant Proposed Annual Caps exceeds 0.1% but less than 5% on an annual basis, such transactions are 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 Altus Capital Limited.

Regarding the transactions contemplated under the Property Management Master Agreement, as the highest of all applicable percentage ratios in respect of the relevant Proposed Annual Caps is higher than 5% on an annual basis, the transactions contemplated under the Property Management Master Agreement are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Property Management Master Agreement and the transactions contemplated thereunder (including the relevant Proposed Annual Caps) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Veda Capital Limited has been appointed as the Independent Financial Adviser of the Company to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this respect.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder.

As at the date of this announcement, Success Well and its associates are interested in approximately 74.35% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolution approving the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM with the proxy form, will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([ir.cmland.hk](http://ir.cmland.hk)) and despatched to the Shareholders upon request. As additional time is required for the Company to prepare certain information to be included in the circular, it is expected that the circular will be published and despatched to the Shareholders upon request on or before 24 January 2025.

## **INTRODUCTION**

Reference is made to: (i) the circular of the Company dated 10 October 2013; (ii) the announcement of the Company dated 29 December 2015; (iii) the announcement of the Company dated 24 May 2017; (iv) the announcement of the Company dated 30 January 2019; and (v) the announcement of the Company dated 31 December 2021 (collectively, the “**Documents**”), 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; (iii) revision of annual caps for continuing connected transactions; (iv) the 2019 Operation Agreement and the 2019 Property Management Master Agreement; and (v) the 2021 Operation Agreement and the 2021 Property Management Master Agreement, respectively, entered into between CMSK (formerly known as CMPD) and the Company and Merchants Property Management and the Company, respectively. Capitalised terms used in this announcement shall have the same meanings as those defined in the Documents unless otherwise defined herein. 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.

Reference is made to the announcements of the Company dated 28 November 2019, 25 March 2020 and 21 December 2021 (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 and for each of the three financial years ending 31 December 2024. This announcement will also 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 2027 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.

## **OPERATION AGREEMENT**

The principal terms of the Operation Agreement are set out below.

### **Date**

20 December 2024

### **Parties**

- (a) The Company; and
- (b) CMSK.

### **Duration of the Operation Agreement**

Commencing from 1 January 2025 to 31 December 2027 (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 CMSK Projects managed under the Operation Agreement, including but not limited to:

- (a) application for approvals in relation to project development;
- (b) project construction management;
- (c) cost management;
- (d) financial management;
- (e) planning for construction period, sale period, marketing events and pricing;
- (f) completion inspection and property delivery; and
- (g) 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% was 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.

CMSK or its subsidiaries and the Company or its subsidiaries will enter into a specific operational support service agreement in relation to each CMSK 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 and existing annual caps

The historical transaction amounts paid by CMSK to the Company and the existing annual caps under the 2021 Operation Agreement are set out as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2023		For the year ending 31 December 2024	
	Annual caps	Actual amount	Annual caps	Actual amount	Annual caps	Actual amount
	<i>RMB'000</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Operational support services	60,000	0	60,000	1,395	60,000	0

## Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the Operation Agreement are set out as follows:

	For the years ending 31 December		
	2025	2026	2027
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum aggregate annual transaction amount to be paid by CMSK to the Company	40,000	40,000	40,000

The Proposed Annual Caps for the transactions contemplated under the Operation Agreement were determined with reference to (i) the estimated value of unsold inventories of the CMSK Projects attributable to CMSK to be managed by the Group under the Operation Agreement; and (ii) such amounts multiplied by a rate of 1.5%.

## **PROPERTY MANAGEMENT MASTER AGREEMENT**

The principal terms of the Property Management Master Agreement are set out below.

### **Date**

20 December 2024

### **Parties**

- (a) The Company; and
- (b) Merchants Property Management.

### **Duration of the Property Management Master Agreement**

Commencing from 1 January 2025 (subject to the approval of the Property Management Master Agreement by the Independent Shareholders at the EGM) up to 31 December 2027 (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:

- (a) 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.;
- (b) sales-related property management services, including reception services and the management of the sample apartments, etc.;
- (c) procuring and administering the supply and installation of property intelligent system and devices;
- (d) 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
- (e) 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*

- (a) labour costs, necessary material costs, cleaning costs, water and electricity costs, etc.;
- (b) 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;

- (c) 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 or the way it provides the services up to 20% upward or 50% downward;

*For property intelligent systems related services*

- (d) 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;
- (e) the costs of labour, ancillary materials, storage and management (excluding profit and tax) (the “**Miscellaneous Costs**”) to be incurred by Merchants Property Management shall be estimated on the basis of the market rate of similar miscellaneous costs;
- (f) 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; and

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

- (g) costs of property design and engineering consulting services, with the cost to be calculated according to the unit price of the unit building area (excluding garden floor area) as follows: (a) residential buildings in first-tier cities are RMB4.50 per square meter; (b) buildings in second-tier cities are RMB3.80 per square meter for residential projects; and (c) commercial projects are RMB6.00 per square meter as basis with reference to the service standards and personnel qualifications for consulting services in commercial projects.

For the fees under item (a) 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 (b) 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 (c) to (f) 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 of the Company 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 and existing annual caps

The historical transaction amounts paid by the Group to Merchants Property Management and the existing annual caps under the 2021 Property Management Master Agreement are set out as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2023		For the year ending 31 December 2024	
	Annual caps <i>RMB'000</i>	Actual amount <i>RMB'000</i> <i>(audited)</i>	Annual caps <i>RMB'000</i>	Actual amount <i>RMB'000</i> <i>(audited)</i>	Annual caps <i>RMB'000</i>	Actual amount (up to nine months ended 30 September 2024) <i>RMB'000</i> <i>(unaudited)</i>
Property management services	142,500	100,029	142,500	71,704	142,500	62,202

## Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the Property Management Master Agreement are set out as follows:

	For the years ending 31 December		
	2025 <i>RMB'000</i>	2026 <i>RMB'000</i>	2027 <i>RMB'000</i>
Maximum aggregate annual transaction amount to be paid by the Group to Merchants Property Management	176,000	176,000	184,000

The Proposed Annual Caps for the transactions contemplated under the Property Management Master Agreement were determined with reference to:

- (a) the estimated commission for the management service, being 12% of the estimated annual property management fee which is calculated by multiplying (i) the Group's total saleable area categorized by property types as at 30 June 2024 in Guangzhou, Foshan, Nanjing, Chongqing and Xi'an (the "**Five Cities**") with (ii) the official guided price of property management fee for each of the Five Cities;
- (b) the estimated additional commission for the management service, being 12% of the estimated additional annual property management fee which is calculated by multiplying (i) the Group's additional gross floor area in the Five Cities as at 31 December 2025, 31 December 2026 and 31 December 2027 (estimated based on the additional gross floor area in the Five Cities as at 31 December 2021, 31 December 2022 and 31 December 2023) with (ii) the official guided price of property management fee for each of the Five Cities; and
- (c) the estimated property inspection fees, which is calculated by multiplying (i) the sum of the Group's additional gross floor area in the Five Cities as at 31 December 2025, 31 December 2026 and 31 December 2027 (estimated based on the additional gross floor area in the Five Cities as at 31 December 2021, 31 December 2022 and 31 December 2023) and the Group's remaining saleable area as at 30 June 2024 in the Five Cities with (ii) the inspection unit price for each of the Five Cities.

## **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 CMC REIT for that Financial Year) as representing the consolidated audited net profit after tax of 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 CMC REIT and the Special Purpose Vehicles (pro-rated, if applicable, to 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 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 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 transaction amounts and existing annual caps**

The historical transaction amounts paid by CMC REIT to the Group (which only consisted of the Base Fee) and the existing annual caps in relation to the provision of REIT Management Services under the Trust Deed are set out as follows:

	<b>For the year ended 31 December 2022</b>		<b>For the year ended 31 December 2023</b>		<b>For the year ending 31 December 2024</b>	
	<b>Annual caps</b>	<b>Actual amount</b>	<b>Annual caps</b>	<b>Actual amount</b>	<b>Annual caps</b>	<b>Actual amount (up to six months ended 30 June 2024)</b>
	<i>Approximate amount in RMB million (audited)</i>		<i>Approximate amount in RMB million (audited)</i>		<i>Approximate amount in RMB million (unaudited)</i>	
REIT Management Services	56.2	30.46	57.4	14.97	58.7	9.3

## 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 2025, 2026 and 2027 are set out as follows:

	<b>For the years ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>Approximate amount in RMB million</i>	<i>Approximate amount in RMB million</i>	<i>Approximate amount in RMB million</i>
Maximum aggregate annual transaction amounts to be paid by CMC REIT to the Group	52.1	52.1	52.1

The Proposed Annual Caps for the REIT Management Transaction under the Trust Deed for the years ending 31 December 2025, 2026 and 2027 were determined with reference to the estimated amount of the Base Fee and the Acquisition Fee, taking into account (i) the highest published rental levels for each of the properties in the CMC REIT's property portfolio for the past 8 quarters under the assumption that such properties will be all rented for the years ending 31 December 2025, 2026 and 2027; (ii) the maximum historical transaction amounts paid by CMC REIT to the Group for the years ended 31 December 2020, 2021, 2022 and 2023; 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 2027;
- (b) there is no change to the calculation of the Base Fee; and
- (c) no Variable Fee, Divestment Fee or expenses and reimbursement shall be payable to CMLAM within the three financial years ending 31 December 2027.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

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

### **Operation Agreement**

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 Project, namely, Evian International in Foshan until its completion and sale. This Operation Transitional Project will continue to be owned by CMSK Group and the revenue derived from it will belong to CMSK Group.

The Operation Transitional Project is expected to be completed and held by CMSK. During the period before they are completed and sold, they have been operated and managed by the Group for a fee, and upon the expiry of the term of the 2021 Operation Agreement, the Group and CMSK intend that the CMSK Projects will be operated and managed by the Group for a fee continually. Therefore, the Company and CMSK have entered into the Operation Agreement to set out the terms of such transactions.

## **Property Management Master Agreement**

In the ordinary and usual course of business of the Group's PRC operating subsidiaries, based on the terms and conditions of the 2021 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 2021 Property Management Master Agreement on 31 December 2024. Therefore, the parties have entered into the Property Management Master Agreement to set out the terms of the transactions.

## **REIT Management Transaction**

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 each of the Operation Agreement and the Trust Deed (including the relevant Proposed Annual Caps) and the transactions contemplated thereunder 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.

The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Property Management Master Agreement (including the relevant Proposed Annual Caps) and the transactions contemplated thereunder 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 (i) Mr. JIANG Tiefeng and Mr. YU Zhiliang, each a non-executive Director, hold senior management positions in CMSK and (ii) Mr. LI Yao, a non-executive Director, and Mr. WONG King Yuen and Ms. CHEN Yan, each an executive Director, hold positions in CMSK's 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 Operation Agreement, the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder and the Proposed Annual Caps for the REIT Management Transaction under the Trust Deed.

## **PARTICULARS OF THE PARTIES**

CMSK is 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 the operation of integrated property business. CMSK's controlling shareholder is CMG, which holds more than 58% 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.

Merchants Property Management is a company established in the PRC with limited liability principally engaged in the provision of property management services. Merchants Property Management is a non-wholly owned subsidiary of CMSK.

CMLAM is a company incorporated in Hong Kong with limited liability with a sole purpose of managing the assets of CMC REIT. 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 Shenzhen and Beijing 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.

The Trustee is a company incorporated in Hong Kong with limited liability 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 principal activity of the Trustee is to deliver a wide range of fiduciary services to capital markets instruments including corporate debt, structured finance, project financing and syndicated loans. 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).

## **INTERNAL CONTROL MEASURES**

The Company has established the following internal control measures to ensure that the transactions contemplated under the Operation Agreement, the Property Management Master Agreement and the REIT Management Transaction under the Trust Deed are conducted in accordance with the Listing Rules and to safeguard the interests of the Company and the Shareholders as a whole:

- (a) The finance department of the Company is responsible for reviewing the relevant transactions on a monthly basis to ensure compliance with the pricing policies of the Company and that the relevant transactions are conducted in accordance with the Operation Agreement, the Property Management Master Agreement and the Trust Deed (as the case may be) and the relevant Proposed Annual Caps are not exceeded. If the actual transaction amount reaches approximately 85% of the relevant Proposed Annual Caps at any time of the year, the finance department of the Company will report to the senior management of the Company, and the Board will consider taking appropriate measures to revise the relevant Proposed Annual Caps and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules; and
- (b) The auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the Operation Agreement, the Property Management Master Agreement and the REIT Management Transaction under the Trust Deed in accordance with the Listing Rules.

As the Company has adopted sufficient internal control procedures to supervise the continuing connected transactions of the Company, the Directors consider that the pricing policies and internal control procedures adopted by the Company as set out above are able to ensure the transactions contemplated under the Operation Agreement, the Property Management Master Agreement and the REIT Management Transaction under the Trust Deed will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) CMSK is a controlling shareholder of the Company holding approximately 74.35% of the Company's issued share capital; (ii) Merchants Property Management is a non-wholly owned subsidiary of CMSK; and (iii) CMSK is a Unitholder holding approximately 35.49% of the Units of CMC REIT. Accordingly, (i) CMSK is a connected person of the Company pursuant to the Listing Rules; and (ii) each of Merchants Property Management and CMC REIT is an associate of CMSK and hence a connected person of the Company pursuant to the Listing Rules. Therefore, the transactions contemplated under the Operation Agreement and the Property Management Master Agreement and the REIT Management Transaction constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Regarding the REIT Management Transaction and the transactions contemplated under the Operation Agreement, as the highest of all applicable percentage ratios in respect of the relevant Proposed Annual Caps exceeds 0.1% but less than 5% on an annual basis, such transactions are 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 Altus Capital Limited.

Regarding the transactions contemplated under the Property Management Master Agreement, as the highest of all applicable percentage ratios in respect of the relevant Proposed Annual Caps is higher than 5% on an annual basis, the transactions contemplated under the Property Management Master Agreement are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Property Management Master Agreement and the transactions contemplated thereunder (including the relevant Proposed Annual Caps) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Veda Capital Limited has been appointed as the Independent Financial Adviser of the Company to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this respect.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder.

As at the date of this announcement, Success Well and its associates are interested in approximately 74.35% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolution approving the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM with the proxy form, will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([ir.cmland.hk](http://ir.cmland.hk)) and despatched to the Shareholders upon request. As additional time is required for the Company to prepare certain information to be included in the circular, it is expected that the circular will be published and despatched to the Shareholders upon request on or before 24 January 2025.

## DEFINITIONS

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

“2021 Operation Agreement”	an operation support services framework agreement dated 31 December 2021 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 1 January 2022 until 31 December 2024 (both days inclusive)
“2021 Property Management Master Agreement”	a property management agreement dated 31 December 2021 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 1 January 2022 until 31 December 2024 (both days inclusive)
“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 58% 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 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 date of this announcement
“CMSK Group”	CMSK and its subsidiaries
“CMSK Projects”	the Operation Transitional Project and other possible projects owned by CMSK
“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 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
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder

“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”	<p>(a) for the first Financial Year, the period from and including the Listing Date to 31 December 2019;</p> <p>(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</p> <p>(c) in all other circumstances, the 12-month period ending on 31 December in each year</p>
“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
“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the Independent Shareholders in respect of the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder

“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve the Property Management Master Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder
“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 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
“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 a non-wholly owned subsidiary of CMSK
“Operation Agreement”	an operation support services framework agreement dated 20 December 2024 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 1 January 2025 until 31 December 2027 (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
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)

“Property Management Master Agreement”	a property management agreement dated 20 December 2024 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 1 January 2025 (subject to the approval of the Property Management Master Agreement by the Independent Shareholders at the EGM) until 31 December 2027 (both days inclusive)
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the Operation Agreement, the Property Management Master Agreement and the REIT Management Transaction under the Trust Deed for each of the three financial years ending 31 December 2025, 2026 and 2027
“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
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Success Well”	Success Well Investments Limited, a limited liability company incorporated in the British Virgin Islands and 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 date of this announcement
“Target Group”	Harpen Company Limited, Converge Holdings Limited, Sino Action Investments Limited and Happy City Investments Limited and their respective subsidiaries acquired by the Company pursuant to the share purchase agreement dated 24 April 2013 entered into between the Company, Eureka and CMPD, as amended and supplemented on 22 September 2013



“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**  
**JIANG Tiefeng**  
*Chairman*

Hong Kong, 20 December 2024

*As at the date of this announcement, the Board comprises Mr. JIANG Tiefeng, Mr. YU Zhiliang and Mr. LI Yao as non-executive Directors; Dr. SO Shu Fai, Mr. WONG King Yuen and Ms. CHEN Yan as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. IP Man Ki Ryan as independent non-executive Directors.*

\* *Unofficial English translation denotes for identification purposes only*