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If you have sold or transferred all your Shares, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**MAJOR AND CONNECTED TRANSACTION RELATING TO  
THE ACQUISITION OF 49% EQUITY INTEREST  
IN  
MERCHANTS PROPERTY DEVELOPMENT (GUANGZHOU)**

**Financial Adviser to the Company**

**CMS 招商证券**

**China Merchants Securities (HK) Co., Limited**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

A letter from the Independent Board Committee containing its recommendations in respect of the Acquisition to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 35 of this circular.

A notice convening the EGM to be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 12 September 2014 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

25 August 2014

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## DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Equity Interest as contemplated under the Agreement;
“Agreement”	the share purchase agreement dated 3 August 2014 entered into between Sino Action, Shenzhen China Merchants and Merchants Property Development (Guangzhou) in respect of the Acquisition;
“Board”	the board of Directors;
“Business Day”	a day on which banks are open in the PRC and Hong Kong for general commercial business;
“BVI”	the British Virgin Islands;
“Chongqing Yi Yun”	重慶招商依雲房地產有限公司 (Chongqing China Merchants Yi Yun Property Co., Ltd.), a company incorporated in the PRC with limited liability on 21 August 2013, and is a wholly-owned subsidiary of Merchants Property Development (Guangzhou);
“CMG”	China Merchants Group Co., Ltd., being the controlling shareholder of CMPD and indirectly held approximately 51.89% of the total issued share capital of CMPD as at the Latest Practicable Date;
“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 with limited liability on 19 September 1990, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000024 (A share); 200024 (B share) and Singapore Exchange (stock code: C03), being the controlling shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date;
“Company”	China Merchants Land Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 24 April 1997 and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0978);

## DEFINITIONS

“Consideration”	the total consideration of approximately RMB1,212.77 million for the Acquisition;
“Converge”	Converge Holdings Limited, a company incorporated in the British Virgin Islands on 2 January 2004, which is an indirectly wholly-owned subsidiary of the Company;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve, among others, matters relating to the Acquisition;
“Enlarged Group”	the Group as enlarged by the Acquisition;
“Eureka”	Eureka Investment Company Limited, a company incorporated in Hong Kong with limited liability on 16 August 1994 and is a wholly-owned subsidiary of CMPD;
“First Payment Date”	has the meaning ascribed to it under the section headed “The Consideration and Payment Arrangement” in the Letter from the Board of this circular;
“Foshan De Sheng”	佛山順德依雲德勝房地產有限公司 (Foshan Shunde Yi Yun De Sheng Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 27 May 2013, and is a wholly-owned subsidiary of Merchants Property Development (Guangzhou);
“Foshan Kai Da Cheng”	佛山市凱達城投資發展有限公司 (Foshan Kai Da Cheng Investment and Development Co., Ltd.), a company incorporated in the PRC with limited liability on 18 October 2012, which is 51% owned by Merchants Property Development (Guangzhou), 35% owned by Guangdong New Nanda Cable Industrial Co., Ltd. (廣東新南達電纜實業有限公司) (an independent third party) and 14% owned by Foshan Jin Cheng Frozen Food Co., Ltd. (佛山市金城速凍食品有限公司) (an independent third party);

## DEFINITIONS

“Foshan Shang Yuan”	佛山依雲上園房地產有限公司 (Foshan Yi Yun Shang Yuan Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 10 December 2013 and is a wholly-owned subsidiary of Foshan Yi Yun;
“Foshan Xin Cheng”	佛山鑫城房地產有限公司 (Foshan Xin Cheng Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 30 April 2007, and is owned as to 50% by Merchants Property Development (Guangzhou) and 50% by Total Up International Limited which is a subsidiary of Wharf Properties (China) Limited and is an independent third party;
“Foshan Yi Yun”	佛山依雲房地產有限公司 (Foshan Yi Yun Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 24 August 2010, and is owned as to 50% by Merchants Property Development (Guangzhou) and 50% by Wharf Properties (Guangzhou) Co., Ltd. which is a subsidiary of Wharf Properties (China) Limited and is an independent third party;
“Foshan Zhen Yuan”	佛山依雲臻園房地產有限公司 (Foshan Yi Yun Zhen Yuan Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 2 December 2013, and is owned as to 55% by Merchants Property Development (Guangzhou) and 45% by Foshan Heng Lun Property Investment Co., Ltd. (佛山市恒輪置業投資有限公司);
“GFA”	gross floor areas;
“Good Ease”	Good Ease Holdings Limited, a company incorporated in the BVI on 2 February 2012, and is an indirect wholly-owned subsidiary of CMPD;
“Group”	the Company and its subsidiaries;
“Guangzhou Yi Yun”	廣州依雲房地產有限公司 (Guangzhou Yi Yun Property Development Co., Ltd.), a company incorporated in the PRC with limited liability on 28 February 2014 and is a wholly-owned subsidiary of Merchants Property Development (Guangzhou);

## DEFINITIONS

“Harvest Allied”	Harvest Allied Investments Limited (滙泰投資有限公司), a company incorporated in Hong Kong on 25 April 2013, which is a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors of the Company;
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition;
“Independent Shareholders”	Shareholders except for CMPD, its associates and those who are required to abstain from voting at the EGM to be convened to approve the Acquisition and matters relating to it;
“Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited;
“Latest Practicable Date”	21 August 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	31 March 2015;
“Merchants Property Development (Guangzhou)”	廣州招商房地產有限公司 (Merchants Property Development (Guangzhou) Ltd.), a company incorporated in the PRC with limited liability on 10 August 2004, and is owned as to 30% by Converge, 21% by Sino Action and 49% by Shenzhen China Merchants;

## DEFINITIONS

“MOFCOM”	Ministry of Commerce of the PRC;
“PBOC”	People’s Bank of China;
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, being the lawful currency of the PRC;
“SAFE”	the State Administration of Foreign Exchange
“SAIC”	the State Administration for Industry and Commerce of the PRC;
“Sale Equity Interest”	Shenzhen China Merchants’ 49% equity interest in the issued share capital of Merchants Property Development (Guangzhou);
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company;
“Shenzhen China Merchants”	深圳招商房地產有限公司 (Shenzhen China Merchants Real Estate Co., Ltd.), a company established in the PRC with limited liability on 5 May 1984, and is a wholly-owned subsidiary of CMPD;
“Sino Action”	Sino Action Investments Limited, a company incorporated in Hong Kong with limited liability on 6 March 2013, which is an indirect wholly-owned subsidiary of the Company;
“sq.m.”	square meter;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

## DEFINITIONS

“Success Well”	Success Well Investments Limited, a company incorporated in the British Virgin Islands with limited liabilities on 2 February 2012, which is a wholly-owned subsidiary of Good Ease and held approximately 74.35% of the interests in the Company as at the Latest Practicable Date;
“Target Group”	means Merchants Property Development (Guangzhou), Foshan Zhen Yuan, Foshan Xin Cheng, Foshan Yi Yun, Foshan De Sheng, Foshan Kai Da Cheng, Guangzhou Yi Yun, Chongqing Yi Yun and Foshan Shang Yuan, collectively, and each of them a <i>Target Group Company</i> ;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“Warranties”	the warranties given by Shenzhen China Merchants and Merchants Property Development (Guangzhou) as warrantors to Sino Action under the Agreement.

*The English names of companies incorporated in the PRC and cities of the PRC are translations of their Chinese names and are included for identification purposes only.*

*In this circular, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*





**CHINA MERCHANTS LAND LIMITED**

**招商局置地有限公司**

*(Incorporated with limited liability in the Cayman Islands)*

**(Stock Code: 978)**

***Board of Directors:***

*Executive Directors*

SO Shu Fai

XIAN Yaoqiang

LIU Zhuogen

YU Zhiliang

*Non-executive Directors:*

HE Jianya

WU Zhenqin

LIU Ning

*Independent non-executive Directors:*

WONG Wing Kuen, Albert

CHEN Yanping

SHI Xinping

HE Qi

***Company secretary:***

CHAN Wing Yan

***Registered office:***

P.O. Box 309, Ugland House

Grand Cayman

KY1-1104

Cayman Islands

***Head office and place of business***

***in Hong Kong:***

Room 1701, 17/F

China Merchants Tower

Shun Tak Centre

Nos. 168–200 Connaught Road Central

Hong Kong

25 August 2014

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION RELATING TO  
THE ACQUISITION OF 49% EQUITY INTEREST  
IN  
MERCHANTS PROPERTY DEVELOPMENT (GUANGZHOU)**

**INTRODUCTION**

We refer to the announcement of the Company dated 3 August 2014 and relating to the entry into the Agreement by Sino Action, Shenzhen China Merchants and Merchants Property Development (Guangzhou) in connection with the Acquisition.

## LETTER FROM THE BOARD

On 3 August 2014, Sino Action (a wholly-owned subsidiary of the Company, as the purchaser), Shenzhen China Merchants (as the seller) and Merchants Property Development (Guangzhou) entered into the Agreement pursuant to which, among other things, Sino Action has conditionally agreed to acquire, and Shenzhen China Merchants has conditionally agreed to sell, the Sale Equity Interest for an amount of approximately RMB1,212.77 million.

After the Sale Equity Interest is transferred to Sino Action, Merchants Property Development (Guangzhou) will become an indirect wholly-owned subsidiary of the Company.

The main purpose of this circular is to provide you with:

- (a) further information relating to the Acquisition;
- (b) the financial information relating to the Group and the Target Group;
- (c) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the Agreement and the Acquisition;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement and the Acquisition; and
- (e) notice of the EGM.

### THE AGREEMENT

#### Date

3 August 2014

#### Parties

- (1) Sino Action (as the purchaser);
- (2) Shenzhen China Merchants (as the seller); and
- (3) Merchants Property Development (Guangzhou).

Sino Action is principally engaged in investment holding and is an indirect wholly-owned subsidiary of the Company.

## LETTER FROM THE BOARD

Shenzhen China Merchants is a company principally engaged in property development and sale in the PRC and a wholly-owned subsidiary of CMPD. As at the Latest Practicable Date, CMPD was the controlling shareholder of the Company and indirectly held 3,646,889,329 Shares of the Company, representing approximately 74.35% of the total issued share capital of the Company. CMPD is therefore a connected person of the Company by virtue of being a substantial shareholder of the Company, and Shenzhen China Merchants is therefore a connected person of the Company by virtue of being an associate of CMPD.

### **The Acquisition**

Sino Action has conditionally agreed to acquire from Shenzhen China Merchants the Sale Equity Interest for a consideration of approximately RMB1,212.77 million.

Merchants Property Development (Guangzhou) is holding and developing Jinshan Valley. It is also holding, directly and indirectly, equity interests in eight project companies in the PRC. Further information on Merchants Property Development (Guangzhou) is set out in the section headed "Information on the Target Group" below.

### **Conditions Precedent**

Payment of the Consideration is conditional upon the satisfaction of, among others, the following conditions precedent on or before the First Payment Date:

- (a) the approval of Independent Shareholders for, among other things, the Agreement and the Acquisition, having been obtained and remaining in full force and effect;
- (b) Sino Action having completed its legal, financial and business due diligence on each Target Group Company, and the results of such due diligence are satisfactory to Sino Action;
- (c) all necessary approvals, consents and filings of any third parties (including but not limited to the relevant governmental authorities) in relation to the entry into and performance of the obligations under the Agreement by Merchants Property Development (Guangzhou) and Shenzhen China Merchants having been obtained or made, which will not require substantial amendments to the terms and conditions of the Agreement;
- (d) each of the board of directors of CMPD and Shenzhen China Merchants having duly authorised and approved (i) the execution and performance of the Agreement by Shenzhen China Merchants, and (ii) the completion of the Acquisition;
- (e) the approval of CMG in relation to the Acquisition having been obtained;
- (f) the Acquisition and the relevant transaction documents having been approved by the competent local commission of MOFCOM, and the necessary filing with MOFCOM in relation to the Acquisition having been completed;

## LETTER FROM THE BOARD

- (g) all other necessary filings with the relevant regulatory authorities in the PRC (including filings with SAIC and SAFE) having been completed;
- (h) the Warranties remaining true and accurate and not misleading in any material respect if they were repeated at any time on or before the First Payment Date by reference to the facts and circumstances then existing (on the basis that the references in the Warranties to the date of this Agreement were references to the relevant date);
- (i) in Sino Action's reasonable judgement, no event has occurred which has materially adversely affected or may materially adversely affect any of the Target Group Company since execution of the Agreement till the First Payment Date;
- (j) Jones Lang LaSalle having completed the valuation of the properties of each Target Group Company in accordance with the requirements of the Listing Rules in relation to the Acquisition and the content and results of such valuation being satisfactory to Sino Action; and
- (k) Sino Action having received an opinion issued by Jun He Law Firm, the PRC legal advisers to Sino Action, in respect of the Acquisition and each Target Group Company and in form and substance satisfactory to the Company.

Each of Merchants Property Development (Guangzhou) and Shenzhen China Merchants shall use their reasonable endeavours to fulfill all conditions precedent set out in the Agreement on or before the Long Stop Date. Sino Action may waive any of the conditions precedent by notice in writing. If any of the conditions precedent set out in the Agreement has not been fulfilled or waived by Sino Action on or before the Long Stop Date, Sino Action, at its sole discretion and by making written notice to Shenzhen China Merchants, will be entitled to either:

- (i) make payment of 50% of the Consideration on a date (the *Alternative First Payment Date*) not later than the tenth Business Day after the Long Stop Date. For avoidance of doubt, under such circumstances, the remaining 50% of the Consideration shall be paid in accordance with the manner described under the section headed "The Consideration and Payment Arrangement" below; or
- (ii) terminate the Agreement with immediate effect.

As at the Latest Practicable Date, (i) save for condition (d) set out above (which has been fulfilled), none of the conditions precedent has been fulfilled or waived, and (ii) Sino Action has no intention to waive any of the conditions precedent. In any event, Sino Action will only waive a condition precedent if it is satisfied that waiver of such condition will not affect the substance of the Acquisition and/or adversely affect the financial position or operations of the Group. For this reason, Sino Action will not waive, at the least, condition (a) or (f) set out above under any circumstances.

## LETTER FROM THE BOARD

### The Consideration Payment Arrangement

The Consideration for the Sale Equity Interest is approximately RMB1,212.77 million, which will be satisfied by cash. 50% of the Consideration shall be paid by Sino Action on the third Business Day after all the conditions precedent set out in the Agreement are fulfilled or waived by Sino Action, or on the Alternative First Payment Date (whichever is later) (the *First Payment Date*). The remaining 50% of the Consideration shall be paid by Sino Action no later than 30 April 2015 upon prior written payment notice from Shenzhen China Merchants at least three Business Days in advance. It is anticipated that the Consideration will be satisfied from the Company's internal funds and debt financing sources.

The Consideration was determined after arm's length negotiations between the Company, Sino Action, Shenzhen China Merchants and CMPD and is equal to the agreed value of the Sale Equity Interest, which was derived as follows:

(a) approximately RMB249.33 million of equity of Merchants Property Development (Guangzhou) attributable to Shenzhen China Merchants as at 30 June 2014;

(b) plus:

approximately RMB1,483.38 million of appreciation of the properties of the Target Group attributable to Shenzhen China Merchants, which is equal to the difference between the book value of the properties as at 30 June 2014 and the preliminary appraised value of the properties as at 30 June 2014 given by Jones Lang LaSalle in a valuation amount of approximately RMB5,305.58 million (in each case, attributable to Shenzhen China Merchants);

(c) less:

approximately RMB519.94 million of estimated amount of business tax, land appreciation tax and income tax (attributable to Shenzhen China Merchants) that will be payable upon the sale of the properties of the Target Group at their appraised value in the preliminary appraisal by Jones Lang LaSalle as at 30 June 2014.

When the Consideration was calculated, the land use rights certificates in relation to Evian Bay (依雲江灣), Huambo City (萬博) and Evian King Bay (依雲雍景灣) had not been obtained. Therefore, the reference values of these three projects as at 30 June 2014 provided by Jones Lang LaSalle in its valuation report<sup>1</sup> were taken into account when determining the Consideration. The lack of land use rights certificates for such projects did not affect the basis of calculating the Consideration because in calculating the equity attributable to Shenzhen China Merchants, the land premium that had been paid by the

<sup>1</sup> Such reference values are set out in note 4 in page V-64 (in respect of Huambo City (萬博)), note 6 in page V-67 (in respect of Evian King Bay (依雲雍景灣)), note 4 in page V-70 and note 3 in page V-72 (in respect of Evian Bay (依雲江灣)) of Appendix V to this circular.

## LETTER FROM THE BOARD

Target Group had been taken into account. The reference values provided by Jones Lang LaSalle were based on the valuation date of 30 June 2014, which was after the contracts of grant for the relevant land use rights were entered into. The difference between the reference value and the amounts of land premium paid as at 30 June 2014 mainly reflects (i) the unpaid land premium as at 30 June 2014, which had been paid off before the date of the Agreement and taken into account in the calculation of the Consideration, and (ii) a small amount of land appreciation. In particular:

- (a) the land premium for Evian Bay (依雲江灣) amounted to RMB1,090 million, the balance of which had been paid by its project company, Chongqing Yiyun, on 16 July 2014. Chongqing Yiyun has also paid the deed tax on 18 July 2014 and is in process of applying for the relevant land use rights certificate. It is expected that such certificate will be obtained by the end of August 2014;
- (b) the land premium for Evian King Bay (依雲雍景灣) amounted to RMB920.26 million, the balance of which had been paid by its project company, Foshan Shang Yuan, on 13 May 2014. Foshan Shang Yuan has also paid the deed tax on 3 June 2014 and is in process of applying for the relevant land use rights certificate. It is expected that such certificate will be obtained by the end of September 2014; and
- (c) the land premium for Huambo City (萬博) amounted to RMB1,460 million, the balance of which had been paid by its project company, Guangzhou Yi Yun, on 27 February 2014. Guangzhou Yi Yun has subsequently obtained the relevant land use rights certificate on 15 July 2014.

According to the relevant PRC regulations, after the grantee of land use rights has paid all the relevant land premium and deed tax, it can apply for the initial registration of its land use rights and obtain a land use rights certificate by submitting to the relevant land authority the signed contract of grant, receipts evidencing payment of land premium and deed tax and other relevant documentation. Based on the above, the PRC legal advisers to the Company are of the view that there exists no legal impediment for the relevant project companies of the Target Group to obtain the outstanding land use right certificates for Evian Bay (依雲江灣) and Evian King Bay (依雲雍景灣).

The original purchase cost of 49% equity interest in Merchants Property Development (Guangzhou) paid in aggregate by Shenzhen China Merchants was RMB98 million, which represents the total capital injected by Shenzhen China Merchants into Merchants Property Development (Guangzhou).

## LETTER FROM THE BOARD

### INFORMATION ON THE TARGET GROUP

Merchants Property Development (Guangzhou), a company incorporated in the PRC, is held as to 49%, 30% and 21% by Shenzhen China Merchants, Converge and Sino Action, respectively. Converge and Sino Action are both members of the Group indirectly wholly-owned by the Company. After the Sale Equity Interest is transferred to Sino Action, Merchants Property Development (Guangzhou) will become an indirect wholly-owned subsidiary of the Company, the financial results of which will continue to be consolidated into the financial statements of the Group.

#### Business of the Target Group

Merchants Property Development (Guangzhou) is principally engaged in property development in the PRC. It is holding and developing Jinshan Valley, a high-end residential and commercial complex located in Panyu District of Guangzhou. It also has eight subsidiaries, which own and operate eight other property development projects. The property development projects held by Merchants Property Development (Guangzhou) and its subsidiaries are summarised in the table below:

Project company in the PRC	Project <sup>Note</sup>	Location	Planned use	Total saleable GFA of the properties comprising the relevant project that had not been sold or pre-sold as at 30 June 2014 (sq.m.)	Total GFA as at 30 June 2014 (sq.m.)	Equity interest in the project company held by Merchants Property Development (Guangzhou)
Merchants Property Development (Guangzhou)	Jinshan Valley (金山谷)	Guangzhou	Residential, commercial	676,252	1,341,801	100%
Foshan Zhen Yuan	Evian Mansion (依雲公館)	Foshan	Residential, commercial	306,379	313,589	55% <sup>1</sup>
Foshan Xin Cheng	Evian Water Bank (依雲水岸)	Foshan	Residential, commercial	16,507	655,716	50% <sup>2</sup>
Foshan Yi Yun	Evian Tianhui (依雲天匯)	Foshan	Residential, commercial	99,850	301,818	50% <sup>3</sup>
Foshan Shang Yuan	Evian King Bay (依雲雍景灣)	Foshan	Residential, commercial	217,786	233,852	50% <sup>4</sup>
Foshan De Sheng	Park 1872 (公園1872)	Foshan	Residential, commercial	267,320	303,132	100%
Foshan Kai Da Cheng	China Merchants Central Landmark (招商置地中心)	Foshan	Commercial	217,480	223,556	51% <sup>5</sup>
Chongqing Yi Yun	Evian Bay (依雲江灣)	Chongqing	Residential, commercial	502,198	532,246	100%
Guangzhou Yi Yun	Huambo City (萬博)	Guangzhou	Commercial	112,859	124,906	100% <sup>6</sup>
				2,416,631	4,030,616	

## LETTER FROM THE BOARD

*Note:*

The Company adopts in this circular the project names which the relevant Target Group Company has used, or intends to use, to market its properties. Some of the names for the property developments are pending approvals by the relevant government authorities and may be subject to change.

- <sup>1</sup> The remaining 45% of equity interest in Foshan Zhen Yuan is directly held by Foshan Henglun Property Investment Co., Ltd. (佛山市恒輪置業投資有限公司).
- <sup>2</sup> The remaining 50% of equity interest in Foshan Xin Cheng is directly held by Total Up International Limited (嘉森國際有限公司).
- <sup>3</sup> The remaining 50% of equity interest in Foshan Yi Yun is directly held by Wharf Properties (Guangzhou) Co., Ltd. (九龍倉置業(廣州)有限公司).
- <sup>4</sup> The remaining 50% of equity interest in Foshan Shang Yuan is indirectly held by Wharf Properties (Guangzhou) Co., Ltd. (九龍倉置業(廣州)有限公司).
- <sup>5</sup> The remaining 49% of equity interest in Foshan Zhen Yuan is directly held by Guangdong New Nanda Cable Industrial Co., Ltd. (廣東新南達電纜實業有限公司) as to 35% and Foshan Jin Cheng Frozen Food Co., Ltd. (佛山市金城速凍食品有限公司) as to 14%.
- <sup>6</sup> As at the Latest Practicable Date, Guangzhou Yi Yun was 100% owned by Merchants Property Development (Guangzhou). According to the Company's announcement dated 31 July 2014, Merchants Property Development (Guangzhou) has entered into a cooperation agreement with Shenzhen Lianxin Investment and Management Company Limited (深圳聯新投資管理有限公司) (*Shenzhen Lianxin*) and Guangzhou Yi Yun. Upon completion of the transaction under the cooperation agreement (the *Deemed Disposal to Shenzhen Lianxin*), Guangzhou Yi Yun will be owned as to 51% by Merchants Property Development (Guangzhou) and 49% by Shenzhen Lianxin. Completion of the transaction is expected to take place on or before 31 August 2014.

### Financial Information of the Target Group

Set out below is a summary of the financial information of Merchants Property Development (Guangzhou), as consolidated in the consolidated financial statements of the Group, which are prepared based on the accounting policies of the Group and in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year</b>		<b>For the six</b>
	<b>ended 31 December</b>		<b>months ended</b>
	<b>2012</b>	<b>2013</b>	<b>30 June 2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	3,623,958	3,664,243	1,655,365
Gross profit	2,300,242	2,245,827	600,678
Net profit before taxation	2,223,421	2,268,807	579,388
Net profit after taxation	1,078,768	1,201,682	275,087

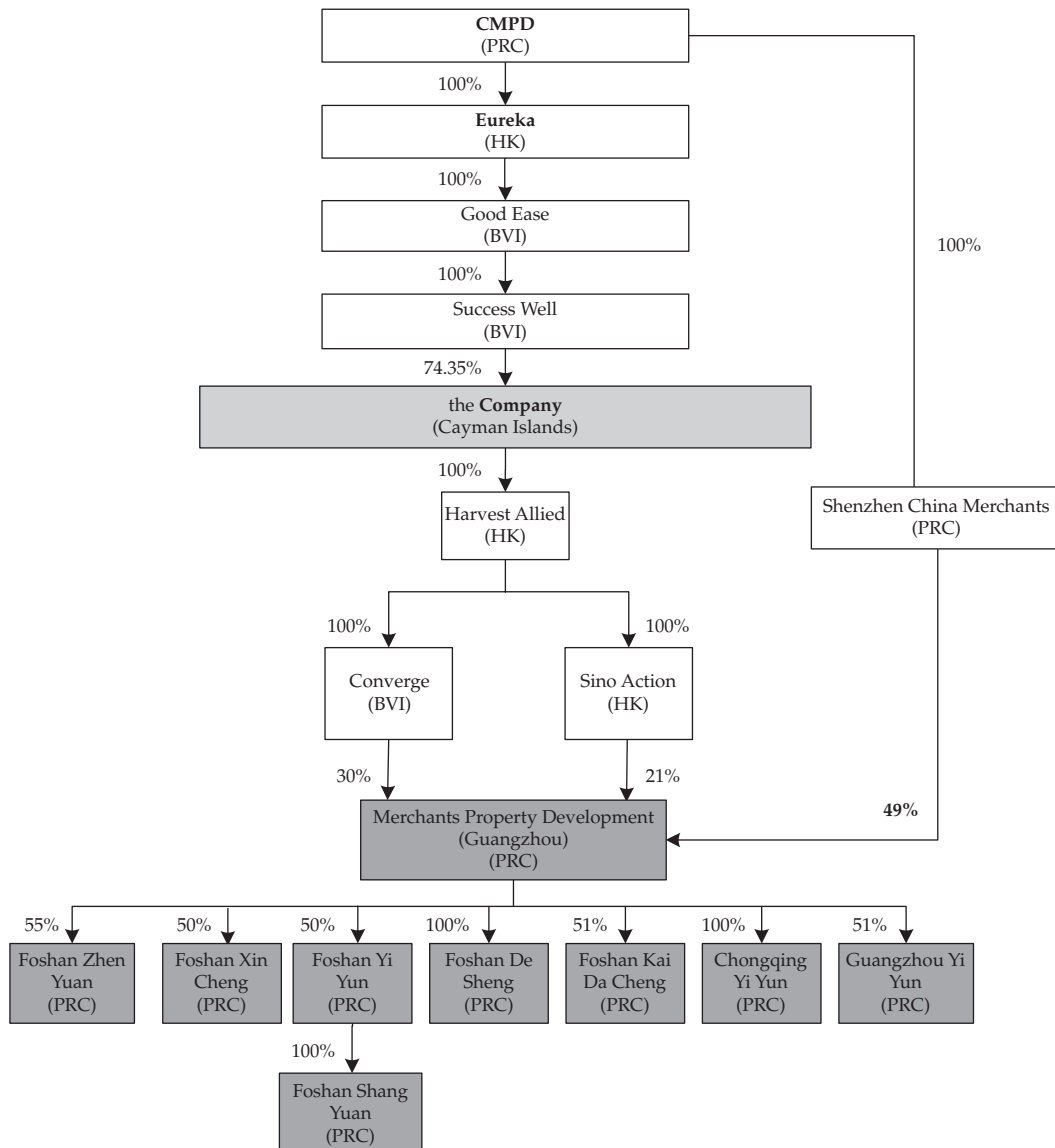


# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE OF THE TARGET GROUP

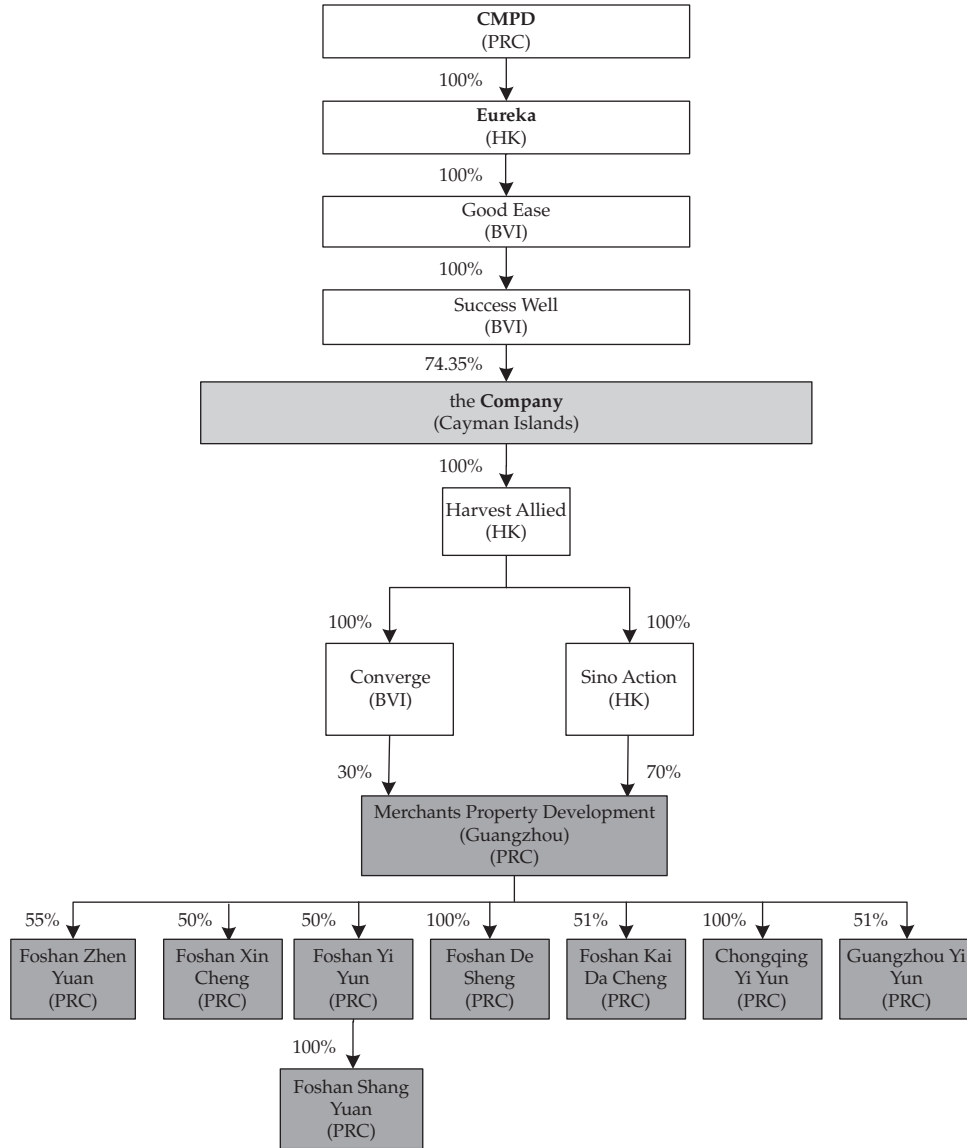
Set out below is the shareholding structure of the Target Group immediately before and after the completion of the transfer of the Sale Equity Interest to Sino Action:

- (I) **Shareholding structure of the Target Group immediately before the completion of the transfer of the Sale Equity Interest (assuming the Deemed Disposal to Shenzhen Lianxin is completed immediately before the completion of the transfer of the Sale Equity Interest)**



## LETTER FROM THE BOARD

- (II) Shareholding structure of the Target Group immediately after the completion of the transfer of the Sale Equity Interest (assuming the Deemed Disposal to Shenzhen Lianxin is completed immediately before the completion of the transfer of the Sale Equity Interest)



## LETTER FROM THE BOARD

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands whose ordinary shares are listed on the Main Board of the Stock Exchange. The Group's principal activities include:

- (a) development, sale, lease, investment and management of properties; and
- (b) sales of electronic and electrical related products and sales of building related materials and equipment.

As at the Latest Practicable Date, CMPD indirectly held approximately 74.35% of the issued shares in the Company.

### INFORMATION ON SHENZHEN CHINA MERCHANTS AND CMPD

Shenzhen China Merchants is incorporated in the PRC and is a wholly-owned subsidiary of CMPD. The principal business activity of Shenzhen China Merchants is property development and sale.

CMPD is currently the real estate flagship of CMG, which is the controlling shareholder of CMPD and currently indirectly holds approximately 51.89% of the total issued share capital of CMPD. CMG is a state-owned conglomerate regulated by the national State-Owned Assets Supervision and Administration Commission.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group holds and develops nine property development projects, three of which have entered into their respective sale period and are generating profits, and the remaining six projects are expected to enter into their respective sale period within this year and then start to generate profits. For each of the two years ended 31 December 2012 and 2013, the Target Group generated net profit of approximately RMB1,078.77 million and RMB1,201.68 million, respectively. It is expected that the projects held by the Target Group will continue to be profitable in the next few years, and the Acquisition is expected to help boost the profitability of the Group.

When the 51% equity interest in Merchants Property Development (Guangzhou) was first injected into the Company by CMPD in 2013, CMPD has granted the Company an option to acquire its 49% domestic equity interests in Merchants Property Development (Guangzhou). The Directors consider that it is the right time to exercise such option granted by CMPD and to acquire the remaining 49% equity interest in Merchants Property Development (Guangzhou).

After the completion of the transfer of the Sale Equity Interest to Sino Action, Merchants Property Development (Guangzhou) will become a wholly-owned subsidiary of the Company, which will enable the Target Group to be further integrated into the Group's property development operation and thus reduce costs and improve efficiency. Also, the Group will have full and complete control of Merchants Property Development (Guangzhou) which would enhance the management and operation efficiency in carrying

## LETTER FROM THE BOARD

out the Group's business decisions and development strategies. Furthermore, after the completion of the transfer of the Sale Equity Interest, Merchants Property Development (Guangzhou) will cease to be a connected person of the Company, which will also reduce the potential connected transactions of the Company.

On the basis of the foregoing, the Directors (including members of the Independent Board Committee) are of the view that the terms of the Acquisition, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. He Jianya, Mr. Xian Yaoqiang, Ms. Wu Zhenqin and Ms. Liu Ning are the four Directors who are each also either a director or an employee of CMPD and have material interest in the Acquisition, and they have abstained from voting on the board resolutions in respect of approving the Acquisition.

### FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

After the completion of the transfer of the Sale Equity Interest to Sino Action, Merchants Property Development (Guangzhou) will become a wholly-owned subsidiary of the Company, and will continue to be accounted for as a subsidiary of the Company. Accordingly, its financial results (including earnings, assets and liabilities) will continue to be consolidated into and reflected in the financial statements of the Group.

The Board expects that the Acquisition will have the following financial effects on the Group:

#### Earnings

For the financial year ended 31 December 2013 and the six months ended 30 June 2014, the Group recorded net profit attributable to the equity holders of the Company of approximately RMB458.89 million and RMB61.02 million. As set out in the accountant's report on the Target Group in Appendix II to this circular, the consolidated net profit before and after taxation of Merchants Property Development (Guangzhou) attributable to the continuing operations for the year ended 31 December 2013 amounted to approximately RMB2,268.81 million and RMB1,201.68 million, respectively, and the consolidated net profit before and after taxation of Merchants Property Development (Guangzhou) attributable to the continuing operations for the six months ended 30 June 2014 amounted to approximately RMB579.39 million and RMB275.09 million, respectively. After the completion of the transfer of the Sale Equity Interest to Sino Action, the financial results of the Target Group will continue to be consolidated into the Group's consolidated financial statements. After the completion of the transfer of the Sale Equity Interest to Sino Action, as Merchants Property Development (Guangzhou) will become a wholly-owned subsidiary of the Company, the consolidated profit of the Target Group will be 100% attributable to the Company as opposed to 51% attributable to the Company prior to the completion of the transfer of the Sale Equity Interest to Sino Action. Other than this, the Board expects that there would be no immediate profit and loss effect on the Enlarged Group immediately after the completion of the transfer of the Sale Equity Interest to Sino Action.

## LETTER FROM THE BOARD

### **Assets and liabilities**

Based on the consolidated accounts of Merchants Property Development (Guangzhou) which have been prepared in accordance with the Hong Kong Financial Reporting Standards, the consolidated net asset position of Merchants Property Development (Guangzhou) was approximately RMB3,292.77 million and RMB1,130.27 million as at 31 December 2013 and as at 30 June 2014, respectively.

Appendix IV to this circular contains the unaudited pro forma statement of assets and liabilities of the Group which has been prepared for the purpose of illustrating the effects of the Acquisition on the assets and liabilities of the Group as if the completion of the transfer of the Sale Equity Interest to Sino Action had taken place on 30 June 2014. As set out in Appendix IV to this circular, the total assets of the Group would decrease to approximately RMB27,883.04 million, while the total liabilities of the Group would be the same. The net assets attributable to the Shareholders would be decreased by approximately 18.5% from RMB5,231.63 million to RMB4,265.53 million by reducing the difference between the consideration of the Acquisition (including the costs directly attributable to the Acquisition) and the carrying value of Merchants Property Development (Guangzhou) attributable to Shenzhen China Merchants.

### **LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 25% but less than 100% for the Company in relation to the Acquisition, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules. As at the Latest Practicable Date, as Shenzhen China Merchants was a connected person of the Company by virtue of being an associate of CMPD, the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the approval of the Independent Shareholders at the EGM.

Success Well and its associates are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all of the four independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi, has been formed to advise the Independent Shareholders in relation to the terms of the Agreement and the Acquisition.

The Company has, with the approval of the Independent Board Committee, appointed Altus Capital Limited as an independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee of the Company and the Independent Shareholders on matters in relation to the Acquisition.

## LETTER FROM THE BOARD

### THE EGM

A notice of the EGM to be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 12 September 2014 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, approving, among others, the Acquisition. Voting on the resolutions at the EGM will be taken by poll.

Success Well, being the holder of approximately 74.35% equity interests in the Company as at the Latest Practicable Date, together with its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition will abstain from voting at the EGM on the resolution(s) for the approval of the Acquisition.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

### RECOMMENDATIONS

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee) considers that the Acquisition, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Board Committee to the Independent Shareholders set out on pages 21 to 22 and the letter from the Independent Financial Adviser set out on pages 23 to 35 containing its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

Yours faithfully,  
For and on behalf of the Board  
**China Merchants Land Limited**  
**He Jianya**  
*Chairman*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition for inclusion in this circular.*



**招商局置地有限公司**  
CHINA MERCHANTS LAND LIMITED

**CHINA MERCHANTS LAND LIMITED**

**招商局置地有限公司**

*(Incorporated with limited liability in the Cayman Islands)*

**(Stock Code: 978)**

25 August 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION RELATING TO  
THE ACQUISITION OF 49% EQUITY INTEREST  
IN  
MERCHANTS PROPERTY DEVELOPMENT (GUANGZHOU)**

We refer to the circular dated 25 August 2014 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meaning herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise you in respect of the Acquisition, details of which are set out in the Letter from the Board contained in the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out on pages 23 to 35 of the Circular.

Having considered the terms of the Acquisition and the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the Acquisition is (i) in the interests of the Company and the Shareholders as a whole; (ii) on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the Group’s ordinary and usual course of business.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

On the basis above, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition at the EGM.

Yours faithfully,

The Independent Board Committee of  
**China Merchants Land Limited**

**Dr. WONG Wing Kuen, Albert   Ms CHEN Yanping   Dr. SHI Xinping   Mr. HE Qi**  
*Independent non-executive Directors*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of incorporation in this circular.*

### **ALTUS CAPITAL LIMITED**

21 Wing Wo Street  
Central, Hong Kong

25 August 2014

*To the Independent Board Committee and  
the Independent Shareholders*

China Merchants Land Limited  
Room 1701, 17th Floor  
China Merchants Tower, Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION**

### **ACQUISITION OF 49% EQUITY INTEREST IN MERCHANTS PROPERTY DEVELOPMENT (GUANGZHOU)**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Details of the Agreement are set out in the “Letter from the Board” contained in this circular of the Company dated 25 August 2014, of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in this circular unless the context requires otherwise.

On 3 August 2014, Sino Action (a wholly-owned subsidiary of the Company, as the purchaser), Shenzhen China Merchants (as the seller) and Merchants Property Development (Guangzhou) (as the target company) entered into the Agreement, pursuant to which Sino Action has conditionally agreed to acquire, and Shenzhen China Merchants has conditionally agreed to sell, the Sale Equity Interest (being the 49% equity interest in Merchants Property Development (Guangzhou)). The Consideration for the sale and purchase of the Sale Equity Interest is approximately RMB1,212.77 million, which will be satisfied by way of cash using the Group’s internal resources and debt financing sources.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Shenzhen China Merchants is a connected person of the Company by virtue of being an associate of CMPD, the controlling shareholder of the Company, and accordingly the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, apart from 3,646,889,329 Shares (representing approximately 74.35% of all the Shares in issue as at the Latest Practicable Date) being held by Success Well (an indirect wholly-owned subsidiary of CMPD) and its associates, no other Shareholder has a material interest in, and will be required to abstain from voting on the resolution to approve the Acquisition at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi, has been established to consider the terms of the Agreement and the Acquisition, and to give advice and recommendation to the Independent Shareholders as to (i) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) whether the Acquisition is (a) on normal commercial terms; (b) fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the Group's ordinary and usual course of business; and (iii) how to vote on the resolution to approve the Acquisition at the EGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) whether the Acquisition is (a) on normal commercial terms; (b) fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the Group's ordinary and usual course of business; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM in connection with the Acquisition.

### BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in this circular and/or provided to us by the Company, the Directors and the management of the Company ("**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in this circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of this circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in this circular and/or provided to us by the Company, the Directors and Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

Altus Capital Limited has acted as independent financial adviser to the Company in respect of the Company's previous transactions set out in its circulars of 30 October 2012, 20 June 2013 and 10 October 2013 respectively (please refer to the respective circulars for more details).

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Historical and financial information of the Group

##### *(a) Principal business activities*

The Group is principally engaged in (a) the development, sale, lease, investment and management of properties; (b) the sale of electronics and electrical related products; and (c) the sale of building related materials and equipment. We note that the Acquisition of the Sale Equity Interest in Merchants Property Development (Guangzhou), a company principally engaged in property development in the PRC and owned as to 51% by the Group prior to the Acquisition, is therefore in the ordinary and usual course of business for the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Financial information of the Group*

Set out below is a table containing certain financial information of the Group as at 31 December 2012 and 2013 and 30 June 2014, as extracted from the Company's 2013 Annual Report, dated 3 April 2014, and 2014 Interim Report, dated 1 August 2014:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(restated)</i>		
<b>Revenue</b>	4,362,053	6,927,871	3,496,954
Profit attributable to owners of the Company	428,780	458,890	61,021
			<b>As at</b>
	<b>As at 31 December</b>		<b>30 June</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(restated)</i>		
<b>Current assets</b>	21,463,953	26,696,248	27,728,232
– Bank balances and cash	2,134,944	6,618,086	4,459,590
Net assets	3,375,852	11,456,311	10,315,679

We note that overall the Group's revenue and net assets for the year ended 31 December 2013 had increased significantly upon its results for the year ended 31 December 2012. The Group's financial performance subsequently declined while its financial position stabilised during the six months ended 30 June 2014 due to the reduction in the number of completed and delivered properties in the first half of 2014. Meanwhile, we note that the Group's bank balances and cash were substantial, totaling approximately RMB2,135 million, RMB6,618 million and RMB4,460 million as at 31 December 2012, 31 December 2013 and 30 June 2014 respectively. Proceeds were obtained from the placement of shares and the issuance of credit enhanced bonds.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. The Target Group

#### (a) Principal business activities

The Target Group is principally engaged in property development in the PRC. Merchants Property Development (Guangzhou) is currently engaged in the holding and development of a high-end residential and commercial complex in Panyu, Guangzhou. Its eight project company subsidiaries each undertake one property development project. These nine projects consist of the development of a variety of residential and commercial properties located in Foshan, Chongqing and Guangzhou, with a total saleable gross floor area that had not been sold or pre-sold of approximately 2.4 million sq.m. as at 30 June 2014.

Currently, three of the nine property development projects have entered into their respective sale periods and are generating profits, while the remaining six projects are expected to enter their respective sale periods by the end of 2014 and subsequently to begin generating profits.

#### (b) Financial information

Set out below are the financial results for the Target Group for the years ended 31 December 2012 and 2013 and for the six months ended 30 June 2014:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>RMB('000)</i>
	<i>(restated)</i>		
Revenue	3,623,958	3,664,243	1,655,365
Profit and total comprehensive income	1,078,768	1,201,682	275,087
	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>RMB('000)</i>
	<i>(restated)</i>		
Current assets	8,046,039	8,883,898	10,509,508
Net assets	2,080,553	3,292,767	1,130,273

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown above, the Target Group generated net profit and total comprehensive income of approximately RMB1,079 million, RMB1,202 million and RMB275 million for the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 respectively.

According to the profit forecast of the Group provided to us by the Company, the projects attributable to the Target Group taken as a whole will continue to generate profit for at least the next 12 months and the Company expects that the projects held by the Target Group taken as a whole will remain profitable for the next few years.

We have discussed the assumptions and bases for the profit forecast of the Target Group with the Company and understand that the major component includes amount of pre-sales of the properties, the construction costs, the land price of the relevant properties and interest expense. In estimating the amount of pre-sales of the properties, the stages of development of the individual property projects were assessed and information such as the estimated completion time of the projects, estimated selling price of the properties for pre-sales and estimated construction costs, taxes and profits were taken into account. We understand that the estimated selling price of the properties adopted in the calculation of profit forecast is within the price range of the comparables in the same district as set out in the valuation report in Appendix V to this circular.

Given that the abovementioned items being taken into account are the normal and usual components of such business activities, we are of the opinion that the underlying bases and assumptions are fair and reasonable.

### 3. Background to the Agreement

(a) *Historical information regarding acquisition of initial 51% equity interest in Merchants Property Development (Guangzhou)*

Pursuant to the agreements dated 24 April 2013 between the Company, Eureka and CMPD, as amended and supplemented on 22 September 2013, the Company acquired, inter alia, Eureka's 51% equity interest in Merchants Property Development (Guangzhou).

The Group was previously engaged in i) the trading of electronics and electrical consumer products; and ii) building related materials and equipment. However, pursuant to the aforesaid agreements, the Group acquired a series of property development projects, enabling the Group to enter into the property development business in the PRC and improve the Group's financial position.

At that time, the Company did not acquire the Sale Equity Interest in Merchants Property Development (Guangzhou) since the relevant approval from MOFCOM had yet to be obtained at the time and, as advised by the Company's PRC legal advisers at the time, the approval and filing procedures in relation to such acquisition may have been long and involved uncertainty.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the non-competition deed entered into between CMPD and the Company on 19 June 2013 as amended and supplemented on 4 October 2013, CMPD granted the Company, at nil consideration, inter alia, an option to acquire the Sale Equity Interest held by CMPD in Merchants Property Development (Guangzhou).

*(b) Background of CMPD and Shenzhen China Merchants*

CMPD Group acquired a controlling interest in the Company in May 2012. As at the Latest Practicable Date, CMPD indirectly held approximately 74.35% of the issued Shares of the Company. CMPD is currently the real estate flagship of CMG, which is a state-owned conglomerate regulated by the national State-Owned Assets Supervision and Administration Commission.

Shenzhen China Merchants was incorporated in the PRC in May 1984 and is a wholly-owned subsidiary of CMPD. Its principal activity is the development and sale of property.

#### **4. The Agreement**

Pursuant to the Agreement, Sino Action has agreed to acquire and Shenzhen China Merchants has agreed to sell the Sale Equity Interest in Merchants Property Development (Guangzhou). To assess its fairness and reasonableness, we have considered the following terms of the Agreement:

*(a) Consideration*

The Consideration for the Sale Equity Interest is approximately RMB1,212.77 million. As described in the "Letter from the Board" within this circular, the Consideration was arrived at after arm's length negotiations between the Company, Sino Action, Shenzhen China Merchants and CMPD and is equal to the agreed value of the Sale Equity Interest, which was calculated by taking:

- (i) approximately RMB249.33 million of equity of Merchants Property Development (Guangzhou) attributable to Shenzhen China Merchants as at 30 June 2014;

*plus:*

- (ii) approximately RMB1,483.38 million of appreciation of the properties of the Target Group attributable to Shenzhen China Merchants, which is equal to the difference between the book value of the properties as at 30 June 2014 and the preliminary appraised value of the properties as at 30 June 2014 given by Jones Lang LaSalle (the "Valuer") in a valuation amount of approximately RMB5,305.58 million (in each case, attributable to Shenzhen China Merchants);

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*less:*

- (iii) approximately RMB519.94 million of estimated amount of business tax, land appreciation tax and income tax (attributable to Shenzhen China Merchants) that will be payable upon the sale of the properties of the Target Group at their appraised value in the preliminary appraisal by the Valuer as at 30 June 2014.

The Consideration of approximately RMB1,212.77 million represents a discount of approximately 30% to the aggregate value of RMB1,732.71 million under items (i) and (ii) above. We understand from the Management that when negotiating the Consideration, they have additionally taken into account the effect of future taxes attributable to Shenzhen China Merchants stated in (iii) above, and hence negotiated for the aforesaid discount in respect of the Consideration. It is noted that the Consideration would be equal to the value of the Sale Equity Interest when such future tax effect is taken into account.

Based on our discussion with the Company's legal advisers, Jun He Law Office, the future taxes that may be applicable in this case are business tax, land appreciation tax and income tax, all of which have been taken into account in the calculation in (iii) above. Based on our discussion with the Management, the future tax effect is estimated based on prevailing government tax policies and current valuations of the properties of the Target Group. The actual amount of tax payable may differ from the estimates for reason of, inter alia, changes in government tax policies (including tax rates) and the actual selling prices of the said properties.

Having considered the above approach, we are of the opinion that this is a fair and reasonable basis to determine the Consideration of the Acquisition.

We have performed the steps pursuant to Rule 13.80 of the Listing Rules including reviewing the terms of engagement regarding the preparation of the Valuer's valuation report as set out in Appendix V to this circular. We have also discussed with the Valuer and understand that the aforesaid valuation report would be signed off by Mr. Eddie T. W. Yiu, a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. We note that the Valuer has the relevant experience and expertise in providing valuation services for Hong Kong listed companies. As confirmed by the Valuer, the Valuer is an independent third party under the meaning ascribed to it by the Listing Rules. We have also reviewed the report containing the valuation of the properties as at 30 June 2014 as prepared by the Valuer, including the descriptions, assumptions and calculations contained therein. Based on our review of the valuation report and our discussions with the Valuer, we understand that for the property interests which were held by the Target Group for sale, for investment and for future development as at 30 June 2014, the Valuer adopted the direct comparison approach. For the property interests which were under development as at 30 June 2014, the Valuer adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and also took into account the accrued construction cost and



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

professional fees relevant to the stage of construction as at 30 June 2014 and the remainder of the cost and fees expected to be incurred for completing the development. The Valuer confirmed that the aforesaid approach are commonly adopted and appropriate approaches for the valuation of such properties. We are therefore of the view that the Valuer has applied a reasonable and commonly adopted approach to prepare the calculation.

We have also reviewed Company's calculation on:

- i) the equity value of the Target Group attributable to Shenzhen China Merchants which was calculated by deducting the book value of each individual property from their respective appraised values as set out in Appendix V to this circular, and multiplying the respective net amount by the percentage of equity interest attributable to Shenzhen China Merchants. We have reviewed the above calculation provided by the Group and are of the view that the calculations are reasonable and correct; and
- ii) the estimated amount of business tax, land appreciation tax and income tax (attributable to Shenzhen China Merchants) that will be payable upon the sale of the properties of the Target Group at their appraised value in the preliminary appraisal by the Valuer as at 30 June 2014.

Taking into account the factors mentioned above we are of the view that the Consideration is fair and reasonable.

### *(b) Payment Method*

As described in the "Letter from the Board" of this circular, the Consideration shall be payable by the Purchaser to the Company in the following manner:

- i. 50% of the Consideration shall be paid by Sino Action on the third Business Day after all the conditions precedent set out in the Agreement are fulfilled or waived by Sino Action, or not later than 14 April 2015 (whichever is later).
- ii. The remaining 50% of the Consideration shall be paid by Sino Action no later than 30 April 2015 upon prior written payment notice from Shenzhen China Merchants at least three Business Days in advance.

The Consideration is to be settled in cash and it is anticipated it will be satisfied using the Group's internal resources and debt financing sources. As mentioned in the section headed "Historical and financial information of the Group" of this letter, the Group had substantial cash and bank balances of approximately RMB4,460 million as at 30 June 2014. Since the Consideration as stipulated in the Agreement amounts to approximately RMB1,212.77 million, we consider the use of a relatively small portion of the Group's existing cash and bank balances to be an appropriate method of financing the Acquisition.

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### *(c) Completion*

Completion of the Acquisition is dependent on a series of conditions set out in the “Letter from the Board” of this circular. If such conditions are not satisfied, Sino Action is entitled to terminate the agreement with immediate effect. We have extracted below those pre-requisites we believe to be especially significant:

- i. the approval of Independent Shareholders for, among other things, the Agreement and the Acquisition, having been obtained and remaining in full force and effect;
- ii. Sino Action having completed its legal, financial and business due diligence on each Target Group Company, and the results of such due diligence are satisfactory to Sino Action;
- iii. in Sino Action’s reasonable judgement, no event has occurred which has materially adversely affected or may materially adversely affect any of the Target Group Companies between execution of the Agreement and the date of the first payment; and
- iv. each of the board of directors of CMPD and Shenzhen China Merchants having duly authorised and approved (i) the execution and performance of the Agreement by Shenzhen China Merchants, and (ii) the completion of the Acquisition.

We note that these conditions, in addition to the other conditions as set out in the “Letter from the Board” of this circular, provide Sino Action with the capacity, if necessary, to terminate the agreement if there arises any material issue, without suffering a material loss.

## **5. Reasons for and benefits of the Acquisition**

### *(a) Acquisition of interest in a profit generating entity*

As mentioned in the section headed “The Target Group” of this letter, the Target Group generated a net profit and total comprehensive income of approximately RMB1,079 million, RMB1,202 million and RMB275 million for the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 respectively. Of this, 49% of the net profit was attributable to Shenzhen China Merchants by virtue of their 49% shareholding in Merchants Property Development (Guangzhou).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion of the transfer of the Sale Equity Interest to Sino Action, as Merchants Property Development (Guangzhou) will become an indirect wholly-owned subsidiary of the Company, all future net profit generated by the Target Group will be wholly attributable to the Shareholders. According to the profit forecast provided to us by the Company, the Target Group will continue to generate profit for at least the next 12 months, and the Company expects that the projects held by the Target Group will be remain profitable for the next few years.

Furthermore, as set out above, the Group currently has substantial cash and bank balances, amounting to approximately RMB4,460 million as at 30 June 2014. Hence, we concur with the Directors that the Company's use of its existing cash reserves is a sensible and efficient use of resources.

*(b) Completion of planned acquisition*

As confirmed by the Directors, the Group had in fact planned to acquire the entire equity interest in Merchants Property Development (Guangzhou) since the injection of the initial 51% equity interest into the Company, as evidenced by the option provided to the Company pursuant to the non-competition deed entered into between the Company and CMPD on 19 June 2013 which was amended and supplemented on 4 October 2013. As such, the Acquisition can be viewed as the final stage of the acquisition of the entire equity interest in Merchants Property Development (Guangzhou) rather than a new acquisition in itself.

As mentioned in the section headed "Background to the Agreement", at the time of the initial acquisition of the 51% equity interest it was advised by the Company's PRC legal advisers at the time, that the approval and filing procedures in relation to acquisition of the remaining 49% equity interests in the Target Group may have been long and involved uncertainty.

Since that time, the Company has been in discussions with the relevant authorities concerning the Acquisition. Recently, the Company has received indication that the Acquisition will receive the required official approval upon application and for this reason the Board is of the opinion that the option to acquire the remaining 49% should be exercised.

**6. Financial effects on the Group**

*(a) Net asset value*

In terms of the immediate impact of the Acquisition on the group as formed upon completion of the Acquisition (the “**Enlarged Group**”), it is expected that the net asset value attributable to owners of the Company will decrease by approximately RMB966 million. Such effect is due to i) the outflow of cash to be paid as Consideration and related fees for the Acquisition of approximately RMB1,215 million; and ii) the decrease in the net asset value attributable to non-controlling interests of approximately RMB249 million since Shenzhen China Merchants is no longer a shareholder in the Target Group. Such decline in net asset value is due to the accounting treatment of the transaction, which necessitates that the accounts reflect the book value of the properties owned by the Target Group rather than the appraised value (which was taken into account in the calculation of the Consideration).

*(b) Profits and loss*

There will be no change in respect of consolidation of financial results upon Acquisition, as Merchants Property Development (Guangzhou) was previously held as to 51% by the Group and its financial results are already consolidated into the Group’s financial statements. Upon completion of the Acquisition, the Enlarged Group will be able to recognise the profit of the Target Group entirely. Accordingly, should the Target Group achieve the financial results as predicted in the profit forecast of the Target Group, the Group’s profit for the year attributable to equity holders will increase.

*(c) Cashflow*

The major cashflow impact is the cash outflow in relation to the settlement of the Consideration. The Consideration of approximately RMB1,212.77 million is to be satisfied by cash, 50% of which to be paid on the third Business Day after all condition precedent are fulfilled or waived, which is expected in October 2014. The remaining 50% is to be paid no later than 30 April 2015. Given that the Group had substantial cash and bank balances of approximately RMB4,460 million as at 30 June 2014, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) the Acquisition and the Agreement are (a) on normal commercial terms; (b) are fair and reasonable so far as the Independent Shareholders are concerned and (c) is in the ordinary and usual course of business of the Group. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution relating to the approval of the Agreement and the Acquisition contemplated therein to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Arnold Ip**  
*Executive Director*

*Mr. Arnold Ip ("Mr. Ip") is a Responsible Officer of Altus Capital Limited licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 25 years of experience in investment management, corporate finance and advisory. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the 12 months ended 31 December 2013, the nine months ended 31 December 2012 and the 12 months ended 31 March 2012, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014, together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company (<http://www.irasia.com/listco/hk/cmland/>):

- The Annual Report 2012 of the Company for the 12 months ended 31 March 2012 published on 18 July 2012 (pages 41 to 118) (available on:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0718/LTN20120718416.pdf>)
- The Annual Report from 1 April 2012 to 31 December 2012 of the Company for the nine months ended 31 December 2012 published on 28 March 2013 (pages 45 to 111) (available on:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0328/LTN201303281126.pdf>)
- The Annual Report 2013 of the Company for the year ended 31 December 2013 published on 3 April 2014 (pages 70 to 171) (available on:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0403/LTN20140403990.pdf>)
- The Interim Report 2014 of the Company for the six months ended 30 June 2014 published on 7 August 2014 (pages 18 to 36) (available on:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0807/LTN20140807429.pdf>)

## 2. INDEBTEDNESS

### Borrowings

As at the close of business on 31 July 2014, being the most recent practicable date for the purpose of the statement of indebtedness, the borrowings and loans of the Group were shown as below:

	<b>31 July 2014</b> <i>RMB'000</i>
Bank and other borrowings	4,844,000
Bonds payable	3,028,470
Amounts due to an intermediate holding company	1,272,175
Loans from equity holders	339,358
	<hr/>
<b>Total</b>	<b>9,484,003</b> <hr/> <hr/>

	31 July 2014 RMB'000
Secured	–
Unsecured	9,484,003
<b>Total</b>	<b>9,484,003</b>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	2,372,175
More than one year, but not exceeding two years, disclosed as non-current liabilities	3,687,358
More than two years, but not exceeding five years, disclosed as non-current liabilities	3,424,470
<b>Total</b>	<b>9,484,003</b>

### Contingent Liability

As at 31 July 2014, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB903.45 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, dividend payable and normal trade payables in the normal course of business at the close of business on 31 July 2014, the Group did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at 31 July 2014, the Group has cash and bank balances of RMB4,885.70 million and aggregate borrowings of RMB1,272.18 million which were unsecured, interest free, and repayable on demand. The Group's monetary transactions and deposits are mainly in the form of HK\$, US\$ and RMB. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

As at 31 July 2014, the capital structure of the Group consists of net debts, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Group since 31 July 2014.

### Pledge of Assets

As at 31 July 2014, the Group did not have any charges on its property, plant and equipment or properties under development for sale.

### 3. WORKING CAPITAL

Taking into account the expected completion of the Acquisition in October 2014 and the financial resources available to the Group, including the available banking facilities, other financial resources available and cash flow from its operations, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

### 4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the remaining of 2014, in order to better implement the classified readjustment and control measures put forward by The National People's Congress and Chinese People's Political Consultative Conference, more local authorities will withdraw their limited property purchase policies. In respect of mortgage loans, although credit conditions may not be drastically relaxed, constraints from the tight capital market will be eased through the PRC central government's promotion of various "mini-stimulus" measures. Faced with financial pressure, property developers will adopt more flexible sales strategies to accelerate the sell-through of properties. In particular, as governmental policies become more stable and favorable, it will be rational for property developers to cut prices in order to boost sales volume. As a result, it is expected that the property market will gradually improve.

In the second half of 2014, the Company expected the additional GFA of the projects which can meet the pre-sales conditions amounted to approximately 1,250,000 sq.m. The Group will be able to tackle the challenges ahead by grabbing the market opportunities arising from the favourable policies, strengthening its operational management and control and accelerating its sales and realization of return.

Meanwhile, the Group will continue to pay attention to the change of customers' needs, to optimize its project portfolios and types of product, to develop a model which can create synergy for its operations and financing strategies and to explore opportunities for overseas developments. The Group endeavors to increase its capital utilization efficiency to create value for shareholders.



*The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this Circular.*

**Deloitte.**  
**德勤**

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Hong Kong

25 August 2014

The Directors  
**China Merchants Land Limited**

Dear Sirs,

We set out below our report on the financial information for each of the three years ended 31 December 2013 and six months ended 30 June 2014 (the "Track Record Period") ("Financial Information") of Merchants Property Development (Guangzhou) Ltd ("Merchants Guangzhou" or the "Company") and its subsidiaries (collectively known as the "Group") for inclusion in the circular of China Merchants Land Limited dated 25 August 2014 (the "Circular") issued in conjunction with the proposed acquisition of the remaining 49% equity interest of the Company by Sino Action Investments Limited ("Sino Action"), a wholly-owned subsidiary of China Merchants Land Limited.

Pursuant to a conditional share purchase agreement dated 3 August 2014 ("Agreement"), as described more fully in the section headed "Letter from the Board" included in the Circular, entered into, among others, Shenzhen China Merchants Real Estate Co., Ltd. ("Shenzhen China Merchants") as vendor and Sino Action as purchaser, has conditionally agreed to acquire from Shenzhen China Merchants the 49% equity interest of Merchants Guangzhou.

Merchants Guangzhou is a non-wholly-owned subsidiary of China Merchants Land Limited, which in turn is a non-wholly-owned subsidiary of China Merchants Property Development Co., Ltd. ("CMPD"). Shenzhen China Merchants is a wholly-owned subsidiary of CMPD.

Merchants Guangzhou was established in the People's Republic of China ("PRC") on 10 August 2004. The registered and paid-up capital of the Company is RMB200,000,000. Merchants Guangzhou is engaged in investment holding and property development in the PRC. Merchants Guangzhou holds equity interests in the following entities:

Company name	Place and date of establishment	Paid up share capital	Attributable equity interest held by the Company				At the date of this report	Principal activities
			At 31 December 2011	December 2012	2013	At 30 June 2014		
佛山鑫城房地產有限公司 Foshan Xin Cheng Property Development Co., Ltd.* ("Foshan Xin Cheng") (notes 1 & 2)	PRC 30 April 2007	US\$127,000,000	50%	50%	50%	50%	50%	Property development
佛山依雲房地產有限公司 Foshan Yi Yun Property Development Co., Ltd.* ("Foshan Yi Yun") (notes 1 & 3)	PRC 24 August 2010	RMB30,000,000	50%	50%	50%	50%	50%	Property development
佛山順德依雲德勝房地產有限公司 Foshan Shunde Yi Yun De Sheng Property Development Co., Ltd.* ("Foshan De Sheng") (note 3)	PRC 27 May 2013	RMB10,000,000	N/A	N/A	100%	100%	100%	Property development
佛山市凱達城投資發展有限公司 Foshan Kai Da Cheng Investment and Development Co., Ltd.* ("Foshan Kai Da Cheng") (notes 2 & 4)	PRC 18 October 2012	RMB10,000,000	N/A	N/A	51%	51%	51%	Property development
重慶招商依雲房地產有限公司 Chongqing China Merchants Yi Yun Property Co., Ltd.* ("Chongqing Yi Yun") (note 3)	PRC 21 August 2013	RMB20,000,000	N/A	N/A	100%	100%	100%	Property development
佛山依雲臻園房地產有限公司 Foshan Yi Yun Zhen Yuan Property Development Co., Ltd.* ("Foshan Zhen Yuan") (note 3)	PRC 2 December 2013	RMB10,000,000	N/A	N/A	100%	55%	55%	Property development
佛山依雲上園房地產有限公司 Foshan Yi Yun Shang Yuan Property Development Co., Ltd.* ("Foshan Shang Yuan") (notes 1 and 2)	PRC 10 December 2013	RMB10,500,000	N/A	N/A	50%	50%	50%	Property development
廣州依雲房地產有限公司 Guangzhou Yi Yun Property Development Co., Ltd.* ("Guangzhou Yi Yun") (note 3)	PRC 28 February 2014	RMB10,000,000	N/A	N/A	N/A	100%	100%	Property development

Other than Foshan Shang Yuan is an indirectly owned subsidiary of the Company, all subsidiaries are directly owned by Merchants Guangzhou.

\* The English name is for identification only. The official name of the entity is in Chinese.

note 1: These entities are considered to be subsidiaries of Merchants Guangzhou despite Merchants Guangzhou holds not more than half of the equity interest therein as Merchants Guangzhou has the power to cast the majority of votes at meetings of the board of directors of these entities, which governs the financial and operating policies that significantly affect the returns of these entities.

note 2: The entity is a sino-foreign joint venture.

note 3: The entity is a wholly-domestic owned enterprise.

note 4: The entity was acquired by Merchants Guangzhou in July 2013. Details of this are set out in note 28.

The financial year end date of the entities comprising the Group is 31 December.

The statutory financial statements of the entities of the Group for each of the three years ended 31 December 2013, or since the respective dates of their establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and regulations in the PRC and were audited by certified public accountants registered in the PRC as follows:

Name of company	Name of statutory auditor for the financial period ended 31 December		
	2011	2012	2013
Merchants Guangzhou	天健會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Foshan Xin Cheng	天健會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Foshan Yi Yun	天健會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Foshan De Sheng	N/A	N/A	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Foshan Kai Da Cheng	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Chongqing Yi Yun	N/A	N/A	信永中和會計師事務所 (特殊普通合夥) 成都分所
Foshan Zhen Yuan	N/A	N/A	信永中和會計師事務所 (特殊普通合夥) 深圳分所
Foshan Shang Yuan	N/A	N/A	信永中和會計師事務所 (特殊普通合夥) 深圳分所

(1): N/A for these years as Foshan Kai Da Cheng was acquired by the Group in July 2013 and its financial information are incorporated into the Group's financial information only after the acquisition date.

No statutory audited financial statements were prepared for Guangzhou Yi Yun since Guangzhou Yi Yun was established in February 2014.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of Merchants Guangzhou for the three years ended 31 December 2013 and six months ended 30 June 2014 (collectively the "Underlying Financial Statements") in accordance with accounting policies which conform with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial

Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below. The preparation of the Underlying Financial Statements is the responsibility of the directors of the Company. The directors of China Merchants Land Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 31 June 2013 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "June 2013 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the June 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended	
		2011	2012	2013	30 June	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	5	2,353,947	3,623,958	3,664,243	3,107,463	1,655,365
Cost of sales		(927,402)	(1,323,716)	(1,418,416)	(1,212,323)	(1,054,687)
Gross profit		1,426,545	2,300,242	2,245,827	1,895,140	600,678
Other income	7	14,106	17,110	108,826	39,199	20,450
Gain on disposal of investment properties		-	-	43,213	43,213	-
Selling and marketing expenses		(50,428)	(67,897)	(64,639)	(22,997)	(14,283)
Administrative expenses		(30,793)	(26,034)	(19,681)	(8,919)	(5,009)
Finance costs	8	-	-	(44,739)	-	(22,448)
Profit before tax		1,359,430	2,223,421	2,268,807	1,945,636	579,388
Income tax expense	9	(681,969)	(1,144,653)	(1,067,125)	(888,024)	(304,301)
Profit and total comprehensive income for the year/period	10	<u>677,461</u>	<u>1,078,768</u>	<u>1,201,682</u>	<u>1,057,612</u>	<u>275,087</u>
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		321,063	922,742	773,409	660,170	180,936
Non-controlling interests		356,398	156,026	428,273	397,442	94,151
		<u>677,461</u>	<u>1,078,768</u>	<u>1,201,682</u>	<u>1,057,612</u>	<u>275,087</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NOTES	THE GROUP				THE COMPANY				
	At 31 December			At 30	At 31 December			At 30	
	2011	2012	2013	June	2011	2012	2013	June	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>NON-CURRENT ASSETS</b>									
Property, plant and equipment	14	2,794	2,383	1,977	1,672	1,745	1,556	1,211	994
Investment properties	15	36,065	34,359	22,281	22,113	36,065	34,359	22,281	22,113
Deferred tax assets	16	107,543	269,405	333,147	294,930	16,561	136,075	171,651	182,761
Unlisted investments in subsidiaries	17	-	-	-	-	493,690	493,690	634,290	644,290
Other receivables	18	1,157,770	1,328,584	2,574,950	831,619	-	-	1,686,000	-
		<u>1,304,172</u>	<u>1,634,731</u>	<u>2,932,355</u>	<u>1,150,334</u>	<u>548,061</u>	<u>665,680</u>	<u>2,515,433</u>	<u>850,158</u>
<b>CURRENT ASSETS</b>									
Deposit paid for acquisition of land use rights for property development for sale		-	-	1,006,391	927,616	-	-	-	-
Properties held for sale	19	4,267,273	4,342,038	6,437,679	8,620,289	1,592,284	1,217,478	1,416,754	1,600,160
Other receivables	20	1,512,306	2,698,079	780,401	342,434	1,369,816	2,407,591	2,049,971	5,111,604
Tax recoverable		49,512	262,725	103,195	66,953	38,933	4,516	12,750	10,533
Bank balances and cash	21	663,428	743,197	556,232	552,216	485,440	468,161	261,613	254,241
		<u>6,492,519</u>	<u>8,046,039</u>	<u>8,883,898</u>	<u>10,509,508</u>	<u>3,486,473</u>	<u>4,097,746</u>	<u>3,741,088</u>	<u>6,976,538</u>
<b>CURRENT LIABILITIES</b>									
Deposits received in respect of pre-sale of properties		3,572,701	3,415,928	2,504,464	1,821,438	2,095,820	679,473	428,618	498,690
Trade and other payables	22	1,424,554	2,487,406	3,421,242	5,159,191	1,718,799	2,700,870	3,010,183	4,857,588
Bank and other borrowings	23	-	-	940,000	1,100,000	-	-	940,000	-
Tax payable		113,024	526,923	218,422	119,155	654	206,022	58,019	4,152
Amount due to an intermediate holding company	33(b)	-	-	-	994,427	-	-	-	994,427
		<u>5,110,279</u>	<u>6,430,257</u>	<u>7,084,128</u>	<u>9,194,211</u>	<u>3,815,273</u>	<u>3,586,365</u>	<u>4,436,820</u>	<u>6,354,857</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>									
		<u>1,382,240</u>	<u>1,615,782</u>	<u>1,799,770</u>	<u>1,315,297</u>	<u>(328,800)</u>	<u>511,381</u>	<u>(695,732)</u>	<u>621,681</u>
<b>NET ASSETS LESS CURRENT LIABILITIES</b>									
		<u>2,686,412</u>	<u>3,250,513</u>	<u>4,732,125</u>	<u>2,465,631</u>	<u>219,261</u>	<u>1,177,061</u>	<u>1,819,701</u>	<u>1,471,839</u>
<b>NON-CURRENT LIABILITIES</b>									
Bank and other borrowings – due after one year	23	1,169,960	1,169,960	1,439,358	1,335,358	-	-	-	996,000
<b>NET ASSETS</b>									
		<u>1,516,452</u>	<u>2,080,553</u>	<u>3,292,767</u>	<u>1,130,273</u>	<u>219,261</u>	<u>1,177,061</u>	<u>1,819,701</u>	<u>475,839</u>

NOTES	THE GROUP				THE COMPANY				
	At 31 December			At 30	At 31 December			At 30	
	2011	2012	2013	June	2011	2012	2013	June	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>CAPITAL AND RESERVES</b>									
Paid-up capital	24	50,000	50,000	200,000	200,000	50,000	50,000	200,000	200,000
Reserves	25	561,741	1,317,816	2,091,225	308,833	169,261	1,127,061	1,619,701	275,839
Equity attributable to owners of									
the Company		611,741	1,367,816	2,291,225	508,833	219,261	1,177,061	1,819,701	475,839
Non-controlling interests	34	904,711	712,737	1,001,542	621,440	-	-	-	-
<b>TOTAL EQUITY</b>		<b>1,516,452</b>	<b>2,080,553</b>	<b>3,292,767</b>	<b>1,130,273</b>	<b>219,261</b>	<b>1,177,061</b>	<b>1,819,701</b>	<b>475,839</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Merchants Guangzhou					Non-controlling interests	Total equity
	Capital	Statutory reserve	Retained profits	Sub-total			
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2011	50,000	-	240,678	290,678	548,313	838,991	
Profit and total comprehensive income for the year	-	-	321,063	321,063	356,398	677,461	
At 31 December 2011	50,000	-	561,741	611,741	904,711	1,516,452	
Profit and total comprehensive income for the year	-	-	922,742	922,742	156,026	1,078,768	
Statutory reserve appropriation	-	57,285	(57,285)	-	-	-	
Dividends declared	-	-	(166,667)	(166,667)	(348,000)	(514,667)	
At 31 December 2012	50,000	57,285	1,260,531	1,367,816	712,737	2,080,553	
Profit and total comprehensive income for the year	-	-	773,409	773,409	428,273	1,201,682	
Dividends declared	-	-	-	-	(144,000)	(144,000)	
Capital injection	150,000	-	-	150,000	-	150,000	
Statutory reserve appropriation	-	15,928	(15,928)	-	-	-	
Adjustment on an acquisition of a subsidiary (note 28)	-	-	-	-	4,532	4,532	
At 31 December 2013	200,000	73,213	2,018,012	2,291,225	1,001,542	3,292,767	
Profit and total comprehensive income for the period	-	-	180,936	180,936	94,151	275,087	
Dividends declared	-	-	(1,963,328)	(1,963,328)	(478,753)	(2,442,081)	
Capital injection	-	-	-	-	4,500	4,500	
Statutory reserve appropriation	-	271,314	(271,314)	-	-	-	
At 30 June 2014	200,000	344,527	(35,694)	508,833	621,440	1,130,273	



	Attributable to owners of Merchants Guangzhou					
	Capital	Statutory	Retained	Sub-total	Non-	Total equity
	RMB'000	reserve	profits	RMB'000	controlling	RMB'000
		RMB'000	RMB'000	RMB'000	interests	RMB'000
		(Note)			RMB'000	
For the six months ended						
30 June 2013 (unaudited)						
At 1 January 2013	50,000	57,285	1,260,531	1,367,816	712,737	2,080,553
Profit and total comprehensive						
income for the period	-	-	660,170	660,170	397,442	1,057,612
Capital injection	150,000	-	-	150,000	-	150,000
At 30 June 2013	<u>200,000</u>	<u>57,285</u>	<u>1,920,701</u>	<u>2,177,986</u>	<u>1,110,179</u>	<u>3,288,165</u>

*Note:* The amount mainly represents statutory reserve of the Company and its subsidiaries established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, enterprises in the PRC are required to transfer 10% of their net profit after tax, as determined under the PRC accounting regulations, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 December			Six months ended	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	30 June 2013 RMB'000 (unaudited)	2014 RMB'000
<b>OPERATING ACTIVITIES</b>						
Profit before tax		1,359,430	2,223,421	2,268,807	1,945,636	579,388
Adjustments for:						
Depreciation of property, plant and equipment		926	888	785	426	340
Depreciation of investment properties		1,719	1,706	511	343	168
Finance costs		-	-	44,739	-	22,448
Interest income		(13,148)	(15,375)	(104,873)	(38,522)	(2,125)
Gain on disposal of investment properties		-	-	(43,213)	(43,213)	-
Operating cash flows before movements in working capital		1,348,927	2,210,640	2,166,756	1,864,670	600,219
(Increase) decrease in deposits paid for acquisition of land use rights for property development for sale		-	-	(873,221)	(62,000)	78,775
(Increase) decrease in properties held for sale		(459,428)	81,978	(1,272,546)	(634,817)	(2,095,285)
(Increase) decrease in trade and other receivables		(63,776)	477	79,284	138,893	74,154
Increase (decrease) in deposits received in respect of pre-sale of properties		943,618	(176,715)	(1,063,963)	(1,710,288)	(713,613)
(Decrease) increase in trade and other payables		(455,921)	262,554	285,658	1,754,451	(557,739)
Cash generated from (used in) operations		1,313,420	2,378,934	(678,032)	1,350,909	(2,613,489)
PRC Enterprise income tax paid		(263,860)	(326,763)	(628,420)	(556,465)	(143,812)
Land Appreciation Tax paid		(80,078)	(89,843)	(442,489)	(1,588,661)	(590,134)
Interest received		13,148	15,375	104,873	38,522	2,125
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>		<u>982,630</u>	<u>1,977,703</u>	<u>(1,644,068)</u>	<u>(755,695)</u>	<u>(3,345,310)</u>
<b>INVESTING ACTIVITIES</b>						
Net (advance to) repayment from an intermediate holding company		(333,544)	(1,208,596)	2,414,903	2,417,503	(650)
Purchase of property, plant and equipment		(831)	(477)	(357)	(34)	(35)
Net (advance to) repayment from fellow subsidiaries		(76)	(983)	(1,686,951)	(2,180,438)	1,680,390
Net (advance to) repayment from non-controlling interests of a subsidiary		(1,157,770)	(170,814)	(83,255)	(89,662)	-
Proceeds from disposal of investment properties		-	-	54,780	53,610	-
Acquisition of a subsidiary	28	-	-	(103,852)	-	-
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<u>(1,492,221)</u>	<u>(1,380,870)</u>	<u>595,268</u>	<u>200,979</u>	<u>1,679,705</u>

NOTE	Year ended 31 December			Six months ended	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	30 June 2013 RMB'000 (unaudited)	2014 RMB'000
<b>FINANCING ACTIVITIES</b>					
Net (repayment) advance to an intermediate holding company	(153,840)	34,263	(1,163,324)	(1,163,324)	994,427
Net advance (repayment to) from a non-controlling interests of the Company	400,844	(54,879)	(585,933)	(609,225)	51,538
Interest paid	(13,605)	(156,743)	(134,353)	(42,303)	(111,598)
Net advance from fellow subsidiaries	-	8,295	696,782	293,844	666,722
Capital injection by a non-controlling equity holder	-	-	-	-	4,500
Deposit received for partial disposal of a subsidiary	-	-	160,830	-	-
Dividend paid to non-controlling equity holders of subsidiaries of the Group	-	-	(144,000)	-	-
Dividends paid	-	(348,000)	(8,167)	(8,167)	-
New borrowings raised	-	-	2,040,000	2,040,000	996,000
Repayments of borrowings	-	-	-	-	(940,000)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<u>233,399</u>	<u>(517,064)</u>	<u>861,835</u>	<u>510,825</u>	<u>1,661,589</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(276,192)</u>	<u>79,769</u>	<u>(186,965)</u>	<u>(43,891)</u>	<u>(4,016)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>	<u>939,620</u>	<u>663,428</u>	<u>743,197</u>	<u>743,197</u>	<u>556,232</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash</b>	<u><u>663,428</u></u>	<u><u>743,197</u></u>	<u><u>556,232</u></u>	<u><u>699,306</u></u>	<u><u>552,216</u></u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL

The Financial Information is presented in Renminbi (“RMB”), the functional currency of Merchants Guangzhou and each of its subsidiaries.

### 2. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards (“HKASs”), HKFRSs and Interpretation (“HK(IFRC) – Int”) issued by the HKICPA, which are effective for the accounting periods beginning on 1 January 2014 throughout the Track Record Period.

- At the date of this report, the Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>6</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>6</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group as well as the disclosure in the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, and in accordance with accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance, which for the Track Record Period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the companies;
- is exposed, or has rights, to variable returns from its involvement with the companies; and
- has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. The Company reassesses whether or not it controls the companies if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of the companies, it has power over the companies when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the companies unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in the companies are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the companies and ceases when the Company loses control of the companies. Specifically, income and expenses of companies acquired or disposed of during the Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the companies.

Profit or loss and each component of other comprehensive income are attributed to the Company and to the non-controlling interests. Total comprehensive income of companies is attributed to the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the subsidiaries of the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein and represent the portion of the net assets of entities attributable to interests that are not owned by the Company, whether directly or indirectly and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the Company. Non-controlling interests in the results of the relevant entities in the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the Company.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

#### **Properties held for sale**

Properties under development for sale under current assets are properties under development held for future sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value is determined based on prevailing market conditions. Net realisable value takes into account the price expected to be ultimately realised, less applicable variable selling expenses and the anticipated cost to completion. Upon completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value is determined based on prevailing market conditions.

The Group transfers a property from properties for sale to investment property at cost when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the entities comprising the Group become a party to the contractual provisions of the instrument.

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

#### *Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

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

Interest income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

#### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the loan and receivable is reduced by the impairment loss directly for all loan and receivable with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities of the Group (including trade and other payables, amount due to an intermediate holding company and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the entities comprising the Group are recorded at the proceeds received, net of direct issue costs.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated at fair value through profit or loss is recognised initially at fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

**Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of the tangible assets and to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Retirement benefit costs**

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

#### **Foreign currencies**

In preparing the financial statements of each individual entity comprising the Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Deferred tax**

Deferred tax assets of RMB107,543,000, RMB269,405,000, RMB333,147,000 and RMB294,930,000 mainly in relation to land appreciation tax ("LAT") have been recognised at 31 December 2011, 2012, 2013 and 30 June 2014, respectively, as set out in note 16. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the end of the reporting period. In cases where the actual future profits generated are less than expected or there is a downward revision of estimated future profits, a reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss and other comprehensive income for the period in which such a reversal takes place.

#### **LAT**

The Group is subject to LAT in the PRC. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations with the local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the period in which such tax is finalised with local tax authorities.

#### **Estimated write down of properties for sale**

The Group records properties for sale at the lower of cost and net realisable value. Net realisable value of properties for sale is calculated as estimated selling price in the ordinary course of business, minus estimated cost of completion (if any), and estimated selling expenses which are estimated based on best available information.

The Group writes down properties for sale to net realisable value based on assessment of the realisability of properties for sale, taking into account costs to completion based on past experience and net sales value based on past experience and prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. If the expectation is different, it will impact the carrying value and write-downs of properties for sale in the period in which such estimate is changed.

The carrying amount of properties held for sale was RMB4,267,273,000, RMB4,342,038,000, RMB6,437,679,000 and RMB8,620,289,000 as at 31 December 2011, 2012, 2013 and 30 June 2014, respectively as set out in note 19. There is no write down of properties held for sale for the Track Record Period.

## 5. REVENUE

Revenue represents income from sales of properties and rental income earned during the periods, net of sale discounts, and is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
Sales of properties held for sale	2,352,137	3,620,959	3,658,704	3,106,996	1,653,659
Rental income	1,810	2,999	5,539	467	1,706
	<u>2,353,947</u>	<u>3,623,958</u>	<u>3,664,243</u>	<u>3,107,463</u>	<u>1,655,365</u>

## 6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the board of directors of the Company.

For the management purpose, the Group is under one operating and reportable segment: development and sales of properties and property leasing which mainly represent residential properties, as well as integrated residential and commercial properties.

**Geographical informations**

The Group's properties segment are located in Foshan, Guangzhou and Chongqing.

Information about the revenue from external customers and the total assets of properties segment is presented based on the location of the assets.

	Revenue from external customers					Total assets			
	Year ended 31 December			Six months ended 30 June		At 31 December			At 30 June
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
	(unaudited)								
Foshan	2,322,487	1,052,420	2,804,763	2,528,426	1,349,955	2,822,997	5,411,033	7,025,294	6,282,269
Guangzhou	31,460	2,571,538	859,480	579,037	302,573	4,973,694	4,269,737	4,223,513	4,388,798
Chongqing	-	-	-	-	2,837	-	-	567,446	988,775
	<u>2,353,947</u>	<u>3,623,958</u>	<u>3,664,243</u>	<u>3,107,463</u>	<u>1,655,365</u>	<u>7,796,691</u>	<u>9,680,770</u>	<u>11,816,253</u>	<u>11,659,842</u>

No single customer of the Group contributed 10% or more to the Group's revenue for the Track Record Period.

The Group's revenue from external customers is derived solely from its operation in the PRC, and non-current assets which exclude deferred tax assets and financial instruments of the Group are all located in the PRC.

## 7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Bank interest income	11,408	8,667	9,103	5,923	2,125
Interest income from an intermediate holding company	1,740	6,708	2,114	2,114	–
Interest income from fellow subsidiaries	–	–	93,656	30,485	16,394
Others	958	1,735	3,953	677	1,931
	<u>14,106</u>	<u>17,110</u>	<u>108,826</u>	<u>39,199</u>	<u>20,450</u>

## 8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest on:					
– bank and other borrowings	–	–	90,193	20,390	94,663
– amount due to an intermediate holding company	10,857	118,203	23,587	3,836	–
– amounts due to non-controlling interests of a subsidiary	2,748	38,540	24,257	19,751	15,110
	<u>13,605</u>	<u>156,743</u>	<u>138,037</u>	<u>43,977</u>	<u>109,773</u>
Total borrowing costs	<u>13,605</u>	<u>156,743</u>	<u>138,037</u>	<u>43,977</u>	<u>109,773</u>
Less: amount capitalised	<u>(13,605)</u>	<u>(156,743)</u>	<u>(93,298)</u>	<u>(43,977)</u>	<u>(87,325)</u>
	<u>–</u>	<u>–</u>	<u>44,739</u>	<u>–</u>	<u>22,448</u>

Borrowing costs capitalised to properties under development for sale were determined by the contracted interest rates of respective specific borrowings as disclosed in note 23.

## 9. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
The charge (credit) comprises:					
Current tax					
PRC Enterprise Income Tax ("EIT")					
– Current year/period	323,280	527,449	479,449	340,156	80,787
LAT – Current year/period	449,805	779,066	651,418	547,868	185,297
	<u>773,085</u>	<u>1,306,515</u>	<u>1,130,867</u>	<u>888,024</u>	<u>266,084</u>
Deferred tax (note 16)	(91,116)	(161,862)	(63,742)	–	38,217
	<u>681,969</u>	<u>1,144,653</u>	<u>1,067,125</u>	<u>888,024</u>	<u>304,301</u>

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of the Company and its subsidiaries is 25% with effective from 1 January 2008 onwards.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Profit before tax	<u>1,359,430</u>	<u>2,223,421</u>	<u>2,268,807</u>	<u>1,945,636</u>	<u>579,388</u>
Tax at the domestic income tax rate of 25%	339,858	555,855	567,202	486,409	144,847
Tax effect of expenses not deductible for tax purposes	435	6,749	–	–	–
Tax effect of utilisation of tax losses previously not recognised	–	(4,199)	–	(7,072)	–
Tax effect of tax losses not recognised LAT	4,322	1,949	11,903	938	2,763
Deferred tax effect of LAT	(112,451)	(194,767)	(162,854)	(136,967)	(46,324)
Tax effect of deductible temporary differences not recognised	–	–	(544)	(3,152)	17,718
Income tax expense	<u>681,969</u>	<u>1,144,653</u>	<u>1,067,125</u>	<u>888,024</u>	<u>304,301</u>

## 10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Profit for the year/period has been arrived at after charging (crediting):					
Directors' emoluments	-	-	-	-	-
Other staff costs					
Salaries and other allowances	54,209	72,164	57,407	17,600	11,481
Retirement benefit scheme contributions ( <i>note</i> )	4,342	4,337	7,234	2,332	2,206
Total staff costs	58,551	76,501	64,641	19,932	13,687
Less: Amount capitalised to properties under development	(27,085)	(39,822)	(29,392)	(9,402)	(5,031)
	31,466	36,679	35,249	10,530	8,656
Gross rental income from investment properties	(1,810)	(2,999)	(5,539)	(467)	(1,706)
Less: Direct operating expenses incurred	1,719	1,706	1,171	343	250
	(91)	(1,293)	(4,368)	(124)	(1,456)
Cost of properties recognised as an expense	927,402	1,323,716	1,418,416	1,212,323	1,054,687
Depreciation of property, plant and equipment	926	888	785	426	340
Depreciation of investment properties	1,719	1,706	511	343	168
Auditor's remuneration	131	202	427	100	69

*Note:* The employees of the Group are members of the state-managed retirement benefit schemes operated by the PRC government. The companies are required to contribute certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

**Directors and chief executive**

The directors of the Company were also the employees of the intermediate holding company and its subsidiaries and their remuneration were paid for and borne by the intermediate holding company during the Track Record Period. In the opinion of the directors of the Company, there is no reasonable basis to allocate their remuneration to the Group.

**Employees**

The emoluments of the five highest paid individuals of the Group for the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other allowances	2,183	1,679	1,193	1,414	1,083
Bonus ( <i>note</i> )	2,610	3,754	4,861	–	–
Retirement benefit scheme contributions	116	95	98	65	40
	<u>4,909</u>	<u>5,528</u>	<u>6,152</u>	<u>1,479</u>	<u>1,123</u>

*Note:* The bonus is discretionary and is determined by reference to the individuals' performance.

The number of these individuals whose emoluments fell within the following bands is as follows:

Emoluments	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	(unaudited)				
No more than HK\$1,000,000 (Not more than approximately RMB823,700)	–	–	–	5	5
HK\$1,000,001 to HK\$1,500,000 (approximately RMB823,700 to RMB1,236,000)	5	4	2	–	–
HK\$1,500,001 to HK\$2,000,000 (approximately RMB1,236,000 to RMB1,647,000)	–	1	3	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. DIVIDEND**

During the year ended 31 December 2012, Merchants Guangzhou declared dividends of RMB166,667,000 to its equity holders, while Foshan Xin Cheng declared dividends of RMB696,000,000 to its equity holders, of which RMB348,000,000 was payable to its non-controlling equity holder.

During the year ended 31 December 2013, Foshan Xin Cheng declared dividends of RMB288,000,000 to its equity holders, of which RMB144,000,000 was payable to its non-controlling equity holder.

During the period ended 30 June 2014, Merchants Guangzhou declared dividends of RMB1,963,328,000 to its equity holders, while Foshan Xin Cheng and Foshan Yi Yun declared dividends of RMB901,929,000 and RMB55,576,000, respectively, of which RMB450,965,000 and RMB27,788,000 were payable to their respective non-controlling equity holder.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.



## 13. EARNINGS PER SHARE

No earnings per share information is presented as the Company has its registered and paid-up capital of RMB200,000,000 and no number of shares noted.

## 14. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST			
At 1 January 2011	3,889	1,855	5,744
Additions	467	364	831
At 31 December 2011	4,356	2,219	6,575
Additions	155	322	477
At 31 December 2012	4,511	2,541	7,052
Additions	146	211	357
Acquisition of assets through acquisition of a subsidiary (note 28)	-	22	22
At 31 December 2013	4,657	2,774	7,431
Additions	-	35	35
Disposal	(143)	-	(143)
At 30 June 2014	4,514	2,809	7,323
ACCUMULATED DEPRECIATION			
At 1 January 2011	1,484	1,371	2,855
Provided for the year	692	234	926
At 31 December 2011	2,176	1,605	3,781
Provided for the year	692	196	888
At 31 December 2012	2,868	1,801	4,669
Provided for the year	588	197	785
At 31 December 2013	3,456	1,998	5,454
Provided for the period	220	120	340
Eliminated on disposal	(143)	-	(143)
At 30 June 2014	3,533	2,118	5,651
CARRYING VALUES			
At 31 December 2011	2,180	614	2,794
At 31 December 2012	1,643	740	2,383
At 31 December 2013	1,201	776	1,977
At 30 June 2014	981	691	1,672

## THE COMPANY

	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At 1 January 2011	2,328	1,186	3,514
Additions	467	205	672
	<hr/>	<hr/>	<hr/>
At 31 December 2011	2,795	1,391	4,186
Additions	155	169	324
	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,950	1,560	4,510
Additions	146	29	175
	<hr/>	<hr/>	<hr/>
At 31 December 2013	3,096	1,589	4,685
Disposal	(143)	–	(143)
	<hr/>	<hr/>	<hr/>
At 30 June 2014	2,953	1,589	4,542
	<hr/>	<hr/>	<hr/>
ACCUMULATED DEPRECIATION			
At 1 January 2011	832	1,101	1,933
Provided for the year	411	97	508
	<hr/>	<hr/>	<hr/>
At 31 December 2011	1,243	1,198	2,441
Provided for the year	457	56	513
	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,700	1,254	2,954
Provided for the year	452	68	520
	<hr/>	<hr/>	<hr/>
At 31 December 2013	2,152	1,322	3,474
Provided for the period	180	37	217
Eliminated on disposal	(143)	–	(143)
	<hr/>	<hr/>	<hr/>
At 30 June 2014	2,189	1,359	3,548
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 31 December 2011	1,552	193	1,745
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2012	1,250	306	1,556
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2013	944	267	1,211
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2014	764	230	994
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above items of property, plant and equipment are depreciated using the straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Motor vehicles	18%
Office equipment	18%

## 15. INVESTMENT PROPERTIES

	THE GROUP AND THE COMPANY RMB'000
COST	
At 1 January 2011	34,547
Transfer from completed properties for sale	<u>3,367</u>
At 31 December 2011 and 2012	37,914
Disposal	<u>(12,847)</u>
At 31 December 2013 and 30 June 2014	<u>25,067</u>
ACCUMULATED DEPRECIATION	
At 1 January 2011	130
Provided for the year	<u>1,719</u>
At 31 December 2011	1,849
Provided for the year	<u>1,706</u>
At 31 December 2012	3,555
Provided for the year	511
Eliminated on disposal	<u>(1,280)</u>
At 31 December 2013	2,786
Provided for the period	<u>168</u>
At 30 June 2014	<u>2,954</u>
CARRYING VALUE	
At 31 December 2011	<u><u>36,065</u></u>
At 31 December 2012	<u><u>34,359</u></u>
At 31 December 2013	<u><u>22,281</u></u>
At 30 June 2014	<u><u>22,113</u></u>

The Group's investment properties are erected on land under medium term lease in the PRC.

The above completed investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 20 years.

The transfer from completed properties for sale to completed investment properties was made since there was a change in use as evidenced by the commencement of operating leases to independent third parties during the Track Record Period.

The fair value of the investment properties at 31 December 2011, 2012, 2013 and 30 June 2014 was RMB92,315,000, RMB175,987,000, RMB93,037,000 and RMB94,000,000, respectively. The valuation was determined by the directors of Merchants Guangzhou with reference to recent market prices for similar properties in similar locations and conditions. There has been no change in the valuation technique during the Track Record Period.

The fair value hierarchy in accordance with HKFRS 13, as at 31 December 2011, 2012, 2013 and 30 June 2014 of the investment properties of the Group are at Level 3.

## 16. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	THE GROUP				THE COMPANY
	Temporary differences on LAT provision	Tax loss	Others	Total	Temporary differences on LAT provision
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	16,427	–	–	16,427	16,427
Credit to profit or loss	90,333	–	783	91,116	134
At 31 December 2011	106,760	–	783	107,543	16,561
Credit to profit or loss	158,250	–	3,612	161,862	119,514
At 31 December 2012	265,010	–	4,395	269,405	136,075
Credit to profit or loss	63,716	–	26	63,742	35,576
At 31 December 2013	328,726	–	4,421	333,147	171,651
(Charge) credit to profit or loss	(97,779)	63,983	(4,421)	(38,217)	11,110
At 30 June 2014	230,947	63,983	–	294,930	182,761

At 31 December 2011, 2012, 2013 and 30 June 2014, the Group had unused tax losses of approximately RMB17,887,000, RMB8,887,000, RMB56,499,000 and RMB323,485,000, respectively, available to offset against future profits. Deferred tax assets have been recognised in respect of such losses of RMB255,933,000 at 30 June 2014. Deferred tax asset has not been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of RMB1,091,000, RMB7,796,000, RMB47,612,000 and RMB266,986,000 as at 30 June 2014 that will expire in 2016, 2017, 2018 and 2019, respectively.

## 17. UNLISTED INVESTMENTS IN SUBSIDIARIES

	THE COMPANY			
	At 31 December			At
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Investment in subsidiaries:				
Capital contribution	493,690	493,690	634,290	644,290

## 18. OTHER RECEIVABLES — NON-CURRENT

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans to fellow subsidiaries (note a)	-	-	1,686,000	-	-	-	1,686,000	-
Loans to non-controlling equity holders of subsidiaries (note b)	1,157,770	1,328,584	888,950	831,619	-	-	-	-
Total	1,157,770	1,328,584	2,574,950	831,619	-	-	1,686,000	-

## Notes:

- (a) The amount is unsecured, interest bearing at RMB Benchmark Loan Rate offered by the People's Bank of China and repaid in 2014.
- (b) The amounts are unsecured, interest-free and have no fixed repayment term. The directors of the Company had no plan to realise the amounts within one year from the end of the respective reporting periods.

## 19. PROPERTIES HELD FOR SALE

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Completed properties for sale	205,628	1,493,271	2,012,931	609,887	68,903	222,553	898,568	368,859
Properties under development for sale	4,061,645	2,848,767	4,424,748	8,010,402	1,523,381	994,925	518,186	1,231,301
	4,267,273	4,342,038	6,437,679	8,620,289	1,592,284	1,217,478	1,416,754	1,600,160

The Group's completed properties for sale are located in the PRC. They are stated at the lower of cost and net realisable value.

The properties under development for sale are located in the PRC under medium term leases and represent properties under development for subsequent sale in the ordinary course of business upon completion.

Included in the properties under development for sale as at 31 December 2011, 2012, 2013 and 30 June 2014 is carrying value of RMB2,395,353,000, RMB963,158,000, RMB2,663,271,000 and RMB6,025,429,000, respectively, which represents the carrying value of properties expected to be completed and available for delivery after more than twelve months from the end of the reporting period.

## 20. OTHER RECEIVABLES — CURRENT

Trade receivables mainly arise from sales of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 60 days from the date of agreement. At the end of all reporting periods, there were no outstanding trade receivables.

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid LAT	101,351	58,080	91,420	112,181	44,638	19,932	12,955	11,638
Other prepaid non-income tax	196,112	201,482	140,221	85,979	113,869	38,432	24,485	22,087
Others	5,360	19,455	20,761	31,437	1,983	13,588	12,622	13,637
Dividend receivable from subsidiaries	-	-	-	-	-	-	-	478,752
Amount due from an intermediate holding companies (note a)	1,208,907	2,417,503	2,600	3,250	1,208,907	2,335,080	2,744	3,394
Amounts due from fellow subsidiaries (note b)	576	1,559	2,510	8,120	-	559	-	1,087
Amount due from non-controlling interests of subsidiaries (note b)	-	-	522,889	101,467	-	-	-	-
Amounts due from subsidiaries (note b)	-	-	-	-	419	-	1,997,165	4,581,009
	<u>1,512,306</u>	<u>2,698,079</u>	<u>780,401</u>	<u>342,434</u>	<u>1,369,816</u>	<u>2,407,591</u>	<u>2,049,971</u>	<u>5,111,604</u>

## Notes:

- (a) The amounts were unsecured and have no fixed repayment term. The amounts at 31 December 2011 and 2012 were interest bearing at fixed rates of 0.47% and 0.42% per annum and the amounts at 31 December 2013 and 30 June 2014 were interest-free. The directors of the Company expected to realise the amounts within one year from the end of the reporting period.
- (b) The amounts were unsecured, interest-free and repayable on demand.

## 21. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry variable rates as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
Interest rate per annum	<u>0.36% to 0.5%</u>	<u>0.35% to 0.5%</u>	<u>0.35% to 1.265%</u>	<u>0.35% to 1.265%</u>

## 22. TRADE AND OTHER PAYABLES

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note a)	273,225	544,982	1,143,042	579,742	13,100	151,164	182,400	186,356
Amounts due to intermediate holding companies (note b)	544,081	578,344	-	-	464,155	464,155	-	-
Other non-income tax payables	37,269	29,174	34,549	40,923	5,008	13,353	16,502	4,721
Other payables and accrued charges	45,275	52,667	43,943	41,306	16,744	29,080	11,553	10,917
Dividend payable	-	158,167	-	1,963,328	-	158,167	-	1,963,328
LAT payable	445,580	1,091,532	1,333,801	949,725	65,597	551,818	702,803	756,983
Deposit received for partial disposal of a subsidiary	-	-	160,830	-	-	-	160,830	-
Amounts due to non-controlling equity holders of the subsidiaries (note c)	79,124	24,245	-	212,368	-	-	-	-
Amounts due to fellow subsidiaries (note c)	-	8,295	705,077	1,371,799	-	8,295	537,376	536,633
Amounts due to subsidiaries (note c)	-	-	-	-	1,154,195	1,324,838	1,398,719	1,398,650
	<u>1,424,554</u>	<u>2,487,406</u>	<u>3,421,242</u>	<u>5,159,191</u>	<u>1,718,799</u>	<u>2,700,870</u>	<u>3,010,183</u>	<u>4,857,588</u>

## Notes:

- (a) Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payables is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 - 60 days	82,285	270,391	25,368	328,160	6,532	96,489	-	112,983
61 - 180 days	106,739	153,120	278,202	-	6,019	36,256	118,368	-
181 - 365 days	-	36,899	691,887	97,254	-	9,789	-	19,175
Over 365 days	84,201	84,572	147,585	154,328	549	8,630	64,032	54,198
	<u>273,225</u>	<u>544,982</u>	<u>1,143,042</u>	<u>579,742</u>	<u>13,100</u>	<u>151,164</u>	<u>182,400</u>	<u>186,356</u>

- (b) The amounts were unsecured, interest bearing at fixed interest rates of 6.56% and 6.15% per annum, and repayable within one year.
- (c) The amounts were unsecured, interest-free and repayable on demand.

## 23. BANK AND OTHER BORROWINGS

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to an intermediate holding company ( <i>note a</i> )	584,980	584,980	-	-	-	-	-	-
Amount due to a non-controlling equity holders of a subsidiary ( <i>note a</i> )	584,980	584,980	339,358	339,358	-	-	-	-
Bank borrowings ( <i>note b</i> )	-	-	-	996,000	-	-	-	996,000
Other borrowings ( <i>note c</i> )	-	-	2,040,000	1,100,000	-	-	940,000	-
	<u>1,169,960</u>	<u>1,169,960</u>	<u>2,379,358</u>	<u>2,435,358</u>	<u>-</u>	<u>-</u>	<u>940,000</u>	<u>996,000</u>
Represented by:								
Current	-	-	940,000	1,100,000	-	-	940,000	-
Non-current	<u>1,169,960</u>	<u>1,169,960</u>	<u>1,439,358</u>	<u>1,335,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>996,000</u>
	<u>1,169,960</u>	<u>1,169,960</u>	<u>2,379,358</u>	<u>2,435,358</u>	<u>-</u>	<u>-</u>	<u>940,000</u>	<u>996,000</u>

The ranges of effective interest rates are as follows:

	2011	At 31 December	2013	At 30 June
	2011	2012	2013	2014
Variable-rate	<u>6.10% to 6.65%</u>	<u>6.15% to 6.65%</u>	<u>5.70% to 6.15%</u>	<u>6.15% to 7.05%</u>

Notes:

(a) The amounts at 31 December 2012 and 2011 were unsecured, interest bearing at RMB Benchmark Loan Rates offered by the People's Bank of China and repayable in 2014. The amount had been fully repaid during the year ended 31 December 2013.

The amount at 31 December 2013 and 30 June 2014 were unsecured, interest bearing at RMB Benchmark Loan Rates offered by the People's Bank of China and repayable in 2015.

(b) The amounts were unsecured, interest bearing at fixed rates and repayable in June 2016 and April 2017. The effective interest rate ranged from 6.15% to 7.05%.

(c) At 31 December 2013 and 30 June 2014, the unsecured borrowings of RMB1,100 million were provided by Founder BEA Trust Co., Ltd., which is a China Banking Regulatory Commission ("CBRC") licensed financial institution and an independent third party. The loan was interest bearing at a fixed rate of 6.09% per annum and will be repayable in April 2015. The loan is jointly guaranteed by the shareholders of the borrower, Foshan Yi Yun. Another amount of RMB940,000,000 at 31 December 2013 was advanced from a trust company with a term of one year and the amount was repaid during the period ended 30 June 2014. The loan was subjected to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China times 0.95.



## 24. PAID-UP CAPITAL

	<b>Amount</b> RMB'000
Registered and paid-up capital:	
At 1 January 2011, 31 December 2011, 31 December 2012	50,000
Increase in April 2013	<u>150,000</u>
At 31 December 2013 and 30 June 2014	<u><u>200,000</u></u>

On 10 April 2013, the registered and paid-up capital of Merchants Guangzhou was increased from RMB50,000,000 to RMB200,000,000, of which an amount of RMB150,000,000 was fully paid by offset against the dividend payable to shareholders of Merchants Guangzhou.

## 25. RESERVES OF THE COMPANY

	<b>Statutory reserve</b> RMB'000	<b>Retained profits</b> RMB'000	<b>Sub-total</b> RMB'000
At 1 January 2011	–	186,054	186,054
Loss and total comprehensive expense for the year	<u>–</u>	<u>(16,793)</u>	<u>(16,793)</u>
At 31 December 2011	–	169,261	169,261
Profit and total comprehensive income for the year	–	1,124,467	1,124,467
Statutory reserve appropriation	18,519	(18,519)	–
Dividends declared	<u>–</u>	<u>(166,667)</u>	<u>(166,667)</u>
At 31 December 2012	18,519	1,108,542	1,127,061
Profit and total comprehensive income for the year	<u>–</u>	<u>492,640</u>	<u>492,640</u>
At 31 December 2013	18,519	1,601,182	1,619,701
Profit and total comprehensive income for the period	–	619,466	619,466
Statutory reserve appropriation	218,148	(218,148)	–
Dividends declared	<u>–</u>	<u>(1,963,328)</u>	<u>(1,963,328)</u>
At 30 June 2014	<u><u>236,667</u></u>	<u><u>39,172</u></u>	<u><u>275,839</u></u>

## 26. CAPITAL RISK MANAGEMENT

The management of the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of amounts due to intermediate holding companies/non-controlling equity holders of the subsidiaries/fellow subsidiaries, borrowings as disclosed in notes 22 and 23, net of cash and cash equivalents, and equity, comprising paid-up capital, reserve and retained profits.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure.

## 27. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>								
Loans and receivables (including cash and cash equivalents)	3,036,041	4,510,298	4,686,333	2,455,725	1,696,749	2,817,388	3,960,144	5,332,120
<b>Financial liabilities</b>								
Amortised cost	2,111,665	2,536,660	4,432,250	7,598,328	1,648,194	2,135,699	3,230,878	6,086,311

## (b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include other receivables, bank balances and cash, trade and other payables, bank and other borrowings and amount due to an intermediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Interest rate risk management*

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate loans to fellow subsidiaries, amounts due to an intermediate holding company/non-controlling equity holders of a subsidiary and other borrowings.

The Company is exposed to cash flow interest rate risk in relation to bank balances, variable-rate loans to fellow subsidiaries and other borrowings.

The Group's fair value interest rate risk relates primarily to its fixed-rate amount due from/to intermediate holding companies and bank and other borrowings.

The Company's fair value interest rate risk relates primarily to its fixed-rate amount due from/to intermediate holding companies and bank borrowings.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rates offered by the People's Bank of China for its amount due to an intermediate holding company/non-controlling equity holders of subsidiary and other borrowings.

*Sensitivity analysis*

No sensitivity analysis has been presented as directors consider that the impact to profit or loss for the respective years is insignificant, taking into account that (i) the fluctuation in interest rates on bank balances is minimal and (ii) the impact to finance cost, net of interest capitalised, is not material based on a reasonably possible change in interest rate of 10 basis point.

*Credit risk*

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 32.

The Group has concentration of credit risk in respect of bank balances. At 31 December 2011, 2012 and 2013 and 30 June 2014, approximately 63%, 70%, 61% and 48% of the bank balances were deposited at China Merchants Bank. At 31 December 2011, 2012 and 2013 and 30 June 2014, approximately RMB420,150,000, RMB517,776,000, RMB338,855,000 and RMB262,652,000 of the bank balances were deposited at China Merchants Bank.

The Company has concentration of credit risk in respect of bank balances. At 31 December 2011, 2012 and 2013 and 30 June 2014, approximately 61%, 73%, 85% and 81% of the bank balances were deposited at China Merchants Bank. At 31 December 2011, 2012 and 2013 and 30 June 2014, approximately RMB296,134,000, RMB340,360,000, RMB222,673,000 and RMB206,877,000 of the bank balances were deposited at China Merchants Bank.

The credit risk of these liquid funds is limited because the counterparties are either state-owned banks located in the PRC or banks with high credit ratings.

The Group has concentration of credit risk in respect of loans to fellow subsidiaries/non-controlling interests of subsidiaries and amount due from an intermediate holding company. The Company has concentration of credit risk in respect of loans to fellow subsidiaries and amount due from an intermediate holding companies. In order to minimise the credit risk on these amounts, the management of the Company continuously monitors the credit quality and financial conditions of the non-controlling interests of a subsidiary, fellow subsidiaries intermediate holding company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, the directors of the Company consider that the Group's and the Company's credit risk is insignificant.

*Liquidity risk*

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

The following table details the Group's expected remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

## Liquidity and interest rate tables

## THE GROUP

	Weight average effective interest rate %	On demand or within 60 days RMB'000	61 to 180 days RMB'000	181 to 365 days RMB'000	1 - 2 years RMB'000	2 - 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>As at 31 December 2011</b>								
Trade and other payables								
- interest free		398,040	-	-	-	-	398,040	398,040
- fixed-rate	5.50	384,983	3,730	165,408	-	-	554,121	543,665
Bank and other borrowings - non-current								
- variable-rate	6.65	12,967	25,934	38,901	77,802	1,174,282	1,329,886	1,169,960
		<u>795,990</u>	<u>29,664</u>	<u>204,309</u>	<u>77,802</u>	<u>1,174,282</u>	<u>2,282,047</u>	<u>2,111,665</u>
<b>As at 31 December 2012</b>								
Trade and other payables								
- interest free		788,356	-	-	-	-	788,356	788,356
- fixed-rate	5.50	5,301	584,478	-	-	-	589,779	578,344
Bank and other borrowings - non-current								
- variable-rate	6.15	11,992	23,984	35,976	1,173,957	-	1,245,909	1,169,960
		<u>805,649</u>	<u>608,462</u>	<u>35,976</u>	<u>1,173,957</u>	<u>-</u>	<u>2,624,044</u>	<u>2,536,660</u>
<b>As at 31 December 2013</b>								
Trade and other payables								
- interest free		2,052,892	-	-	-	-	2,052,892	2,052,892
Other borrowings - current								
- variable-rate	5.70	8,930	953,395	-	-	-	962,325	940,000
Bank and other borrowings - non-current								
- fixed-rate	6.15	3,478	6,957	10,435	351,532	-	372,402	339,358
- variable-rate	6.09	11,162	22,325	33,487	1,116,743	-	1,183,717	1,100,000
		<u>2,076,462</u>	<u>982,677</u>	<u>43,922</u>	<u>1,468,275</u>	<u>-</u>	<u>4,571,336</u>	<u>4,432,250</u>
<b>As at 30 June 2014</b>								
Trade and other payables								
- interest free		4,168,543	-	-	-	-	4,168,543	4,168,543
Amount due to intermediate holding company								
- interest free		994,427	-	-	-	-	994,427	994,427
Bank and other borrowings - current								
- variable-rate	6.09	11,162	33,487	1,116,743	-	-	1,161,392	1,100,000
Bank and other borrowings - non-current								
- variable-rate	6.70	16,560	33,430	378,705	671,314	400,542	1,500,551	1,335,358
		<u>5,190,692</u>	<u>66,917</u>	<u>1,495,448</u>	<u>671,314</u>	<u>400,542</u>	<u>7,824,913</u>	<u>7,598,328</u>

## THE COMPANY

	Weight average effective interest rate %	On demand or within 60 days RMB'000	61 to 180 days RMB'000	181 to 365 days RMB'000	1 - 2 years RMB'000	2 - 3 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>As at 31 December 2011</b>								
Trade and other payables								
- interest free		1,184,039	-	-	-	-	1,184,039	1,184,039
- fixed-rate	5.50	384,254	1,543	84,541	-	-	470,338	464,155
		<u>1,568,293</u>	<u>1,543</u>	<u>84,541</u>	<u>-</u>	<u>-</u>	<u>1,654,377</u>	<u>1,648,194</u>
<b>As at 31 December 2012</b>								
Trade and other payables								
- interest free		1,671,544	-	-	-	-	1,671,544	1,671,544
- fixed-rate	5.50	4,254	469,766	-	-	-	474,020	464,155
		<u>1,675,798</u>	<u>469,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,145,564</u>	<u>2,135,699</u>
<b>As at 31 December 2013</b>								
Trade and other payables								
- interest free		2,290,878	-	-	-	-	2,290,878	2,290,878
Bank and other borrowings								
- current								
- variable-rate	5.70	8,930	953,395	-	-	-	962,325	940,000
		<u>2,299,808</u>	<u>953,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,253,203</u>	<u>3,230,878</u>
<b>As at 30 June 2014</b>								
Trade and other payables								
- interest free		4,095,884	-	-	-	-	4,095,884	4,095,884
Amount due to intermediate holding company		994,427	-	-	-	-	994,427	994,427
Bank and other borrowings								
- non-current								
- variable-rate	6.89	13,082	26,473	37,608	671,314	400,542	1,149,019	996,000
		<u>5,103,393</u>	<u>26,473</u>	<u>37,608</u>	<u>671,314</u>	<u>400,542</u>	<u>6,239,330</u>	<u>6,086,311</u>

## (c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate their respective fair values at the end of each reporting period.

## 28. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In July 2013, the Group completed the acquisition of the 51% equity interest of Foshan Kai Da Cheng, an entity holding a parcel of land in the PRC, for a cash consideration of RMB105,100,000. This transaction was accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

Fair value of assets and liabilities recognised at the date of acquisition:

	<i>RMB'000</i>
Net assets acquired:	
Properties under development	729,797
Property, plant and equipment	22
Bank balance and cash	1,248
Other payable	(305,369)
Amounts due to shareholders	(316,066)
	<hr/>
Net assets	109,632
Non-controlling interests	(4,532)
	<hr/>
Consideration	105,100
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Consideration paid in cash	105,100
Less: Bank balances and cash acquired	(1,248)
	<hr/>
	103,852
	<hr/> <hr/>

## 29. MAJOR NON-CASH TRANSACTION

The following major non-cash transactions took place during the Track Record Period:

- On 10 April 2013, the registered capital of Merchants Guangzhou was increased from RMB50,000,000 to RMB200,000,000 of which an amount of RMB150,000,000 was fully paid by offset against the dividend payable to shareholders of Merchants Guangzhou.
- During the six months ended 30 June 2014, dividend payable to non-controlling equity holders of approximately RMB478,753,000 was fully offset against the amount due from/loan to non-controlling equity holders of subsidiaries of the Group which is included in other receivables.
- During the six months ended 30 June 2014, pursuant to the sales and purchase agreement, deposit received for partial disposal of a subsidiary amounted to RMB160,830,000 was designated as advance from non-controlling equity holders of subsidiaries of the Group.

## 30. OPERATING LEASES

**The Group as a lessor**

At the end of the reporting period, the Group and the Company had contracted with tenants for the following future minimum lease payments as follows:

	<b>At 31 December</b>			<b>At 30 June</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,999	863	907	3,714
In the second to fifth year inclusive	-	3,805	3,748	14,493
After five years	-	1,335	-	3,698
	<hr/>	<hr/>	<hr/>	<hr/>
	2,999	6,003	4,655	21,905
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 31. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	THE GROUP				THE COMPANY			
	At 31 December			At 30	At 31 December			At 30
	2011	2012	2013	June	2011	2012	2013	June
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Commitments contracted for but not provided in the consolidated financial statements in respect of:								
- Construction of properties under development for sale	170,496	352,692	1,256,358	1,636,094	170,496	352,692	309,210	576,218
- Acquisition of land use rights	-	-	1,005,130	163,500	-	-	-	-
	<u>170,496</u>	<u>352,692</u>	<u>2,261,488</u>	<u>1,799,594</u>	<u>170,496</u>	<u>352,692</u>	<u>309,210</u>	<u>576,218</u>

## 32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities of the Group were as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to third parties	-	-	-	34,310
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,310</u>

The Group acted as guarantor to the mortgage loans granted to certain purchasers of the Group's properties and agreed to repay the outstanding loan and interest accrual thereon, if the purchasers default the repayment of loan before the issue of the property certificate. The directors of the Company consider that the fair value of the financial guarantee contracts is not significant as the default rate is low.

## 33. RELATED PARTY TRANSACTIONS AND BALANCES

## (a) Related party transactions:

During the Track Record Period, the Group had the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December			Six months ended	
		2011	2012	2013	30 June	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
An intermediate holding company	Interest income	1,740	6,708	2,114	2,114	-
	Interest expense	10,857	118,203	23,587	3,836	-
Non-controlling interests of a subsidiary	Interest expense	2,748	38,549	24,257	19,751	15,110
Fellow subsidiaries	Property management fee expense	24,799	38,246	47,538	22,242	8,914
	Interest income	-	-	93,656	30,485	16,394
	Operational support service income	-	-	1,866	-	2,837
		<u>-</u>	<u>-</u>	<u>1,866</u>	<u>-</u>	<u>2,837</u>

**(b) Related party balances**

The amount due to an intermediate holding company at 30 June 2014 is unsecured, interest free and repayable on demand.

The balances with China Merchant Bank, the associate of CMG, are set out in note 27(b).

Details of the other balances with related parties are disclosed in notes 18, 20, 22 and 23.

**(c) Compensation of key management personnel**

The emoluments of directors and the key management are borne by the intermediate holding company.

**(d) Transactions with other government-related entities in the PRC**

The Group itself is part of a larger group of companies under CMG which is controlled by the PRC government. Thus, the directors of the Company consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with related parties set out in (a) and (b) above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In addition, the Group has entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. In view of the nature of those transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful.

**34. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES OF THE GROUP THAT HAVE MATERIAL NON-CONTROLLING INTERESTS**

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests held by non-controlling equity holders throughout the Track Record Period	Profit (loss) allocated to non-controlling interests					Accumulated non-controlling interests			
			Year ended 31 December		Six months ended 30 June	Six months ended 30 June	At 31 December		At 30 June		
			2011	2012	2013	2013	2014	2011	2012	2013	2014
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foshan Xin Cheng	PRC	50%	356,644	159,923	449,233	399,316	37,334	890,256	702,179	1,007,411	593,781
Foshan Yi Yun	PRC	50%	(246)	(3,897)	(8,141)	(1,874)	59,739	14,455	10,558	2,416	34,366
Foshan Kai Da Cheng	PRC	49%	-	-	(12,819)	-	(275)	-	-	(8,285)	(8,560)
Foshan Zhen Yuan	PRC	45%	-	-	-	-	(2,647)	-	-	-	1,853
			<b>356,398</b>	<b>156,026</b>	<b>428,273</b>	<b>397,442</b>	<b>94,151</b>	<b>904,711</b>	<b>712,737</b>	<b>1,001,542</b>	<b>621,440</b>

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.



## (1) Foshan Xin Cheng

	As at 31 December			As at 30 June	
	2011	2012	2013	2014	
	RMB'000	RMB'000	RMB'000	RMB'000	
Current assets	<u>3,886,366</u>	<u>4,446,924</u>	<u>3,038,625</u>	<u>2,402,922</u>	
Non-current assets	<u>92,031</u>	<u>134,018</u>	<u>162,125</u>	<u>112,716</u>	
Current liabilities	<u>2,197,885</u>	<u>3,176,584</u>	<u>1,185,928</u>	<u>1,328,076</u>	
Equity attributable to the Group	<u>890,256</u>	<u>702,179</u>	<u>1,007,411</u>	<u>593,781</u>	
Non-controlling equity holder	<u>890,256</u>	<u>702,179</u>	<u>1,007,411</u>	<u>593,781</u>	
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<u>2,322,487</u>	<u>1,052,420</u>	<u>2,804,763</u>	<u>2,528,426</u>	<u>318,389</u>
Expenses	<u>1,609,200</u>	<u>732,575</u>	<u>1,906,298</u>	<u>1,729,793</u>	<u>243,721</u>
Profit and total comprehensive income for the year/period	<u>713,287</u>	<u>319,845</u>	<u>898,465</u>	<u>798,633</u>	<u>74,668</u>
Profit and total comprehensive income attributable to the Group	356,643	159,922	449,232	399,317	37,334
attributable to the non-controlling equity holder	<u>356,644</u>	<u>159,923</u>	<u>449,233</u>	<u>399,316</u>	<u>37,334</u>
Profit and total comprehensive income for the year/period	<u>713,287</u>	<u>319,845</u>	<u>898,465</u>	<u>798,633</u>	<u>74,668</u>
Net cash inflow (outflow) from operating activities	<u>6,323</u>	<u>645,238</u>	<u>83,817</u>	<u>(47,620)</u>	<u>(27,943)</u>
Net cash outflow from investing activities	<u>(159)</u>	<u>–</u>	<u>(170)</u>	<u>(25)</u>	<u>(9)</u>
Net cash outflow from financing activities	<u>–</u>	<u>(696,000)</u>	<u>(144,000)</u>	<u>–</u>	<u>–</u>
Net cash inflow (outflow)	<u>6,164</u>	<u>(50,762)</u>	<u>(60,353)</u>	<u>(47,645)</u>	<u>(27,952)</u>

## (2) Foshan Yi Yun

	As at 31 December			As at 30 June	
	2011	2012	2013	2014	
	RMB'000	RMB'000	RMB'000	RMB'000	
Current assets	1,432,851	2,154,792	3,330,108	3,349,776	
Non-current assets	–	140	118	97	
Current liabilities	233,980	963,855	2,225,394	3,281,141	
Non-current liabilities	1,169,961	1,169,961	1,100,000	–	
Equity attributable to the Group	14,455	10,558	2,416	34,366	
Non-controlling equity holder	14,455	10,558	2,416	34,366	
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	–	–	1,031,566
Expenses	492	7,795	16,283	3,748	912,088
(Loss) Profit and total comprehensive (expense) income for the year/period	(492)	(7,795)	(16,283)	(3,748)	119,478
(Loss) Profit and total comprehensive (expense) income attributable to the Group	(246)	(3,898)	(8,142)	(1,874)	59,739
attributable to the non-controlling equity holder	(246)	(3,897)	(8,141)	(1,874)	59,739
(Loss) Profit and total comprehensive (expense) income for the year/period	(492)	(7,795)	(16,283)	(3,748)	119,478
Net cash (outflow) inflow from operating activities	(1,249,535)	147,963	108,115	153,585	91,863
Net cash outflow from investing activities	–	(153)	(10,507)	(7)	(6)
Net cash inflow (outflow) from financing activities	1,249,887	–	(75,695)	(118,312)	(33,859)
Net cash inflow	352	147,810	21,913	35,266	57,998

The entities of the Group which were established in the PRC maintained RMB denominated bank balances, the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

**B. SUBSEQUENT EVENTS**

The following event took place subsequent to 30 June 2014.

On 31 July 2014, the Company and Guangzhou Yi Yun entered into an agreement ("Guangzhou Agreement") with an independent third party. Pursuant to the Guangzhou Agreement, the independent third party will subscribe 49% of the registered capital of Guangzhou Yi Yun and provide a shareholder loan of RMB736.9 million to Guangzhou Yi Yun to repay to the Company a corresponding amount of shareholder's loan previously made by the Company. The registered capital of Guangzhou Yi Yun will increase from RMB10 million to RMB100 million. The total investment by the independent third party (including capital and Shareholders' loan) is RMB785.9 million.

In addition, the Company has granted the independent third party a put option to has a right to require the Company to purchase all the equity interest in Guangzhou Yi Yun owned by the independent third party at a price to be determined by a valuation to be carried out by an independent professional valuer of the underlying assets of Guangzhou Yi Yun. The put option is exercisable anytime upon the sold gross floor area of the properties developed for sale in the Guangzhou Panyu Land Project, as specified in the Guangzhou Agreement, of Guangzhou Yi Yun has, in aggregate reached 95% of the total gross floor area for sale. No premium will need to be paid in connection with the grant of the put option.

The above transaction is not yet completed up to the date of the report.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by any of the entities comprising the Group in respect of any period subsequent to 30 June 2014.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2013 and the six months ended 30 June 2014.

**FOR THE 12 MONTHS ENDED 31 DECEMBER 2011**

**Financial Review**

During the year, the Target Group recorded a turnover of RMB2,353.95 million (2010: RMB1,007.70 million), representing an increase of 134% as compared with 2010. Profit for the year amounted to RMB677.46 million (2010: RMB195.06 million), representing an increase of 247% as compared with 2010. The profit attributable to owners of Merchants Property Development (Guangzhou) was RMB321.06 million (2010: RMB150.48 million), representing an increase of 113% as compared with 2010.

The Target Group's aggregate contracted sales amounted to RMB3,437.63 million, representing an increase of 30% over that of 2010. Aggregate contracted sales area was 213,175 sq.m., representing a decrease of 2% over that of 2010.

The Target Group recorded gross profit of RMB1,426.55 million for 2011, an increase of 269% compared to RMB386.36 million for 2010, which was mainly attributable to the increase in turnover. The gross profit margin for 2011 was 61%, compared to 38% over the same period for 2010. The increase in gross profit margin was primarily due to the recognition of the sales of properties sold in phase 2 of Evian Water Bank in 2011.

**Business Review**

As at 31 December 2011, the Target Group's portfolio of property development projects consists of 3 projects in Guangzhou and Foshan, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, and products types including apartments, villas, offices, retail shops and car parks.

Contracted sales, contracted sales area and contracted average selling price (*ASP*) realised by the Target Group for the 12 months ended 31 December 2011 are set out in the table below:

<b>Project</b>	<b>Contracted Sales</b> <i>(RMB million)</i>	<b>Contracted Sales Area</b> <i>(sq.m.)</i>	<b>Contracted ASP</b> <i>(RMB/sq.m.)</i>
<b>Guangzhou</b>			
Jinshan Valley (金山谷)	1,222.43	78,330	15,607
<b>Foshan</b>			
Evian Water Bank (依雲水岸)	2,215.20	134,845	16,428

### *Guangzhou*

In 2011, the Target Group's project in Guangzhou was Jinshan Valley (金山谷), which is a high-end residential and commercial complex located in Panyu District of Guangzhou.

### *Foshan*

In 2011, the Target Group's projects in Foshan were Evian Water Bank and Evian Tianhui:

- Evian Water Bank (依雲水岸) is a high-end residential and commercial complex located in the Shunde District of Foshan; and
- Evian Tianhui (依雲天匯) is a residential and commercial complex located in Nanhai District of Foshan.

### **Liquidity and Financial Resources**

The Target Group financed its operations primarily by proceeds from the sales of the properties it developed. As at 31 December 2011, the Target Group's cash and cash equivalents amounted to RMB663.43 million, compared to RMB939.62 million as at 31 December 2010.

As at 31 December 2011, the net assets of the Target Group were approximately RMB1,516.45 million, compared to approximately RMB838.99 million as at 31 December 2010. The increase was due to the increase in profit and total comprehensive income for the year in 2011. The Target Group's aggregate borrowings amounted to RMB1,169.96 million (as compared to nil in 2010), all of which was unsecured and bearing interest at the PBOC benchmark loan interest rate. The overall net gearing ratio, which was calculated on the basis of borrowings minus cash and cash equivalents over total equity, was 33% compared to nil as at 31 December 2010.

The maturity profile of the Target Group's borrowings is set out as follows:

	As at 31 December 2011 <i>(RMB million)</i>	As at 31 December 2010 <i>(RMB million)</i>
<b>Repayable:</b>		
Within one year	-	-
Between one and two years	-	-
Between two and five years	1,169.96	-
After five years	-	-
	-	-
<b>Total</b>	1,169.96	-

**Pledge of Assets**

As at 31 December 2011, the Target Group did not have any pledged asset.

**Capital Expenditure Commitments**

The capital expenditure commitments of the Target Group as at 31 December 2011 were RMB170.5 million (compared with RMB1,057.22 million as at 31 December 2010), all of which were contracted but not provided for in the financial statements. The sources of funding for capital commitments consisted of mainly the Target Group's own operational funds and borrowings.

**Foreign Currency Exposure**

The Target Group conducts its business in Renminbi, and the Target Group does not have any material direct exposure to foreign exchange fluctuations. During the 12 months ended 31 December 2011, the Target Group has not used any foreign currency derivative product to hedge its exposure to currency risk.

**Employee Remuneration and Relations**

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group and current market conditions.

As at 31 December 2011, the Target Group had 179 employees in the PRC, as compared to 151 employees as at 31 December 2010. The remuneration of the employees comprises basic salary and other allowances and retirement benefit scheme contributions. The Target Group's total expenses on employees' remuneration for the year ended 31 December 2011 was approximately RMB58.55 million, as compared to RMB29.65 million for the year ended 31 December 2010. As required by applicable PRC regulations, the Target Group participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

**FOR THE 12 MONTHS ENDED 31 December 2012****Financial Review**

During the year, the Target Group recorded a turnover of RMB3,623.96 million (2011: RMB2,353.95 million), representing an increase of 54% as compared with 2011. Profit for the year amounted to RMB1,078.77 million (2011: RMB677.46 million), representing an increase of 59% as compared with 2011. The profit attributable to owners of Merchants Property Development (Guangzhou) was RMB922.74 million (2011: RMB321.06 million), representing an increase of 187% as compared with 2011.

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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The Target Group's aggregate contracted sales amounted to RMB3,427.51 million, which were at a similar level as that of 2011. Aggregate contracted sales area was 221,439 sq.m., representing an increase of 4% over that of 2011.

The Target Group recorded gross profit of RMB2,300.24 million for 2012, an increase of 61% compared to RMB1,426.55 million for 2011, which was mainly attributable to the increase in turnover. The gross profit margin for 2012 was 63%, compared to 61% over the same period for 2011. The increase in gross profit margin was primarily due to an increase in the total GFA of the properties sold in Jinshan Valley and, due to the lower land cost of Jinshan Valley, the profit margin of the properties sold in 2012 was higher than the properties sold in 2011.

### **Business Review**

As at 31 December 2012, the Target Group's portfolio of property development projects consists of 3 projects in Guangzhou and Foshan, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, and products types including apartments, villas, offices, retail shops and car parks.

Contracted sales, contracted sales area and contracted average selling price (*ASP*) realised by the Target Group for the 12 months ended 31 December 2012 are set out in the table below:

<b>Project</b>	<b>Contracted Sales</b> <i>(RMB million)</i>	<b>Contracted Sales Area</b> <i>(sq.m.)</i>	<b>Contracted ASP</b> <i>(RMB/sq.m.)</i>
<b>Guangzhou</b>			
Jinshan Valley (金山谷)	1,072.81	53,583	20,018
<b>Foshan</b>			
Evian Water Bank (依雲水岸)	1,616.86	102,821	15,725
Evian Tianhui (依雲天匯)	737.84	65,035	11,345

#### ***Guangzhou***

In 2012, the Target Group's project in Guangzhou was Jinshan Valley (金山谷), which is a high-end residential and commercial complex located in Panyu District of Guangzhou.

#### ***Foshan***

In 2012, the Target Group's projects in Foshan were Evian Water Bank and Evian Tianhui:

- Evian Water Bank (依雲水岸) is a high-end residential and commercial complex located in the Shunde District of Foshan; and

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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- Evian Tianhui (依雲天匯) is a residential and commercial complex located in Nanhai District of Foshan.

### Liquidity and Financial Resources

The Target Group financed its operations primarily by proceeds from the sales of the properties it developed. As at 31 December 2012, the Target Group's cash and cash equivalents amounted to RMB743.20 million, compared to RMB663.43 million as at 31 December 2011.

As at 31 December 2012, the net assets of the Target Group were approximately RMB2,080.55 million, compared to approximately RMB1,516.45 million as at 31 December 2011. The increase was primarily due to the increase in profit and total comprehensive income for the year in 2012. The Target Group's aggregate borrowings amounted to RMB1,169.96 million (as compared to RMB1,169.96 million in 2011), all of which was unsecured and bearing interest at the PBOC benchmark loan interest rate. The overall net gearing ratio, which was calculated on the basis of borrowings minus cash and cash equivalents over total equity, was 21% compared to 33% as at 31 December 2011.

The maturity profile of the Target Group's borrowings is set out as follows:

	As at 31 December 2012 <i>(RMB million)</i>	As at 31 December 2011 <i>(RMB million)</i>
<b>Repayable:</b>		
Within one year	-	-
Between one and two years	1,169.96	-
Between two and five years	-	1,169.96
After five years	-	-
	-	-
<b>Total</b>	1,169.96	1,169.96

### Pledge of Assets

As at 31 December 2012, the Target Group did not have any pledged asset.

### Capital Expenditure Commitments

The capital expenditure commitments of the Target Group as at 31 December 2012 were RMB352.69 million (compared with RMB170.5 million as at 31 December 2011), all of which were contracted but not provided for in the financial statements. The sources of funding for capital commitments consisted of mainly the Target Group's own operational funds and borrowings.



**Foreign Currency Exposure**

The Target Group conducts its business in Renminbi, and the Target Group does not have any material direct exposure to foreign exchange fluctuations. During the 12 months ended 31 December 2012, the Target Group has not used any foreign currency derivative product to hedge its exposure to currency risk.

**Employee Remuneration and Relations**

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group and current market conditions.

As at 31 December 2012, the Target Group had 174 employees in the PRC, as compared to 179 employees as at 31 December 2011. The remuneration of the employees comprises basic salary and other allowances and retirement benefit scheme contributions. The Target Group's total expenses on employees' remuneration for the year ended 31 December 2012 was approximately RMB76.5 million, as compared to RMB58.55 million for the year ended 31 December 2011. As required by applicable PRC regulations, the Target Group participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

**FOR THE 12 MONTHS ENDED 31 DECEMBER 2013****Financial Review**

During the year, the Target Group recorded a turnover of RMB3,664.24 million (2012: RMB3,623.96 million), remaining relatively constant as compared with 2012. Profit for the year amounted to RMB1,201.68 million (2012: RMB1,078.77 million), representing an increase of 11% as compared with 2012. The profit attributable to owners of Merchants Property Development (Guangzhou) was RMB773.41 million (2012: RMB922.74 million), representing a decrease of 16% as compared with 2012.

The Target Group's aggregate contracted sales amounted to RMB3,214.37 million, representing a decrease of 6% over that of 2012. Aggregate contracted sales area was 212,037 sq.m., representing a decrease of 4% over that of 2012.

The Target Group recorded gross profit of RMB2,245.83 million for 2013, a decrease of 2% compared to RMB2,300.24 million for 2012, which was mainly attributable to the decrease in turnover. The gross profit margin for 2013 was 61%, which remained relatively constant as compared to 63% over the same period for 2012.

**Business Review**

As at 31 December 2013, the Target Group's portfolio of property development projects consists of 8 projects in Guangzhou, Foshan and Chongqing, with a primary focus

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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on the development of residential properties, as well as residential and commercial complex properties, and products types including apartments, villas, offices, retail shops and car parks.

Contracted sales, contracted sales area and contracted average selling price (*ASP*) realised by the Target Group for the 12 months ended 31 December 2013 are set out in the table below:

<b>Project</b>	<b>Contracted Sales</b> <i>(RMB million)</i>	<b>Contracted Sales Area</b> <i>(sq.m.)</i>	<b>Contracted ASP</b> <i>(RMB/sq.m.)</i>
<b>Guangzhou</b>			
Jinshan Valley (金山谷)	907.80	30,217	30,043
<b>Foshan</b>			
Evian Water Bank (依雲水岸)	1,018.30	84,450	12,058
Evian Tianhui (依雲天匯)	1,288.27	97,370	13,231

#### *Guangzhou*

In 2013, the Target Group's project in Guangzhou was Jinshan Valley (金山谷), which is a high-end residential and commercial complex located in Panyu District of Guangzhou.

#### *Foshan*

In 2013, the Target Group had the following projects in Foshan:

- Evian Water Bank (依雲水岸) is a high-end residential and commercial complex located in the Shunde District of Foshan;
- Evian Tianhui (依雲天匯) is a residential and commercial complex located in Nanhai District of Foshan;
- Park 1872 (公園1872) is residential and commercial complex located in Shunde District of Foshan;
- China Merchants Central Landmark (招商置地中心) is a commercial complex located in the Nanhai District of Foshan;
- Evian Mansion (依雲公館) is a residential and commercial complex located in Nanhai District of Foshan; and
- Evian King Bay (依雲雍景灣) is a residential and commercial complex located in Chancheng District of Foshan.

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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### *Chongqing*

In 2013, the Target Group's project in Chongqing was Evian Bay (依雲江灣), which is a residential and commercial complex located in Banan District of Chongqing.

### *Land Acquisition*

The Target Group acquired 5 pieces of land in total in 2013. Total land cost of the 5 pieces of land was RMB4,298.03 million, total site area is approximately 430,874 sq.m. and the total saleable GFA amounted to approximately 1,511,163 sq.m. Details of each piece of land acquired are as follows:

Project	Date of contract	Location	Total land cost (RMB million)	Total site area (sq.m.)	Saleable GFA (sq.m.)
Park 1872 (公園1872)	April 2013	Shunde District, Foshan City	1,320	71,036	267,320
China Merchants Central Landmark (招商置地中心) <sup>2</sup>	October 2012	Nanhai District, Foshan City	610.37	29,487	217,480
Evian Bay (依雲江灣) <sup>1</sup>	September 2013	Banan District, Chongqing City	1,090	202,916	502,198
Evian Mansion (依雲公館)	November 2013	Nanhai District, Foshan City	357.40	68,072	306,379
Evian King Bay (依雲雍景灣) <sup>1</sup>	November 2013	Chancheng District, Foshan City	920.26	59,363	217,786

*Notes:*

<sup>1</sup> The land use rights certificates in relation to Evian Bay (依雲江灣) and Evian King Bay (依雲雍景灣) had not been obtained as at the Latest Practicable Date and the relevant project companies are in the process of applying for such land use rights certificates.

<sup>2</sup> The land parcel of China Merchants Central Landmark (招商置地中心) was acquired by Foshan Kai Da Cheng in October 2012. In July 2013, Merchants Property Development (Guangzhou) completed the acquisition of the 51% equity interest of Foshan Kai Da Cheng.

### **Liquidity and Financial Resources**

The Target Group financed its operations primarily by proceeds from the sales of the properties it developed. As at 31 December 2013, the Target Group's cash and cash equivalents amounted to RMB556.23 million, compared to RMB743.2 million as at 31 December 2012.

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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As at 31 December 2013, the net assets of the Target Group were approximately RMB3,292.77 million, compared to approximately RMB2,080.55 million as at 31 December 2012. The increase was due to the increase in profit and comprehensive income and the capital injection of RMB150 million in 2013. The Target Group's aggregate borrowings amounted to RMB2,379.36 million (as compared to RMB1,169.96 million in 2012), all of which was unsecured. All of the Target Group's borrowings are at annual interest rates each determined by reference to the PBOC benchmark loan interest rate, some of which with a fixed discount. The overall net gearing ratio, which was calculated on the basis of borrowings minus cash and cash equivalents over total equity, was 55% compared to 21% as at 31 December 2012.

The maturity profile of the Target Group's borrowings is set out as follows:

	<b>As at 31 December 2013</b>	<b>As at 31 December 2012</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Repayable:</b>		
Within one year	940	–
Between one and two years	1,439.36	1,169.96
Between two and five years	–	–
After five years	–	–
	–	–
<b>Total</b>	<b>2,379.36</b>	<b>1,169.96</b>

### **Pledge of Assets**

As at 31 December 2013, the Target Group did not have any pledged asset.

### **Capital Expenditure Commitments**

The capital expenditure commitments of the Target Group as at 31 December 2013 were RMB2,261.49 million (compared with RMB352.69 million as at 31 December 2012), all of which were contracted but not provided for in the financial statements. The sources of funding for capital commitments consisted of mainly the Target Group's own operational funds and bank borrowings.

### **Foreign Currency Exposure**

The Target Group conducts its business in Renminbi, and the Target Group does not have any material direct exposure to foreign exchange fluctuations. During the 12 months ended 31 December 2013, the Target Group has not used any foreign currency derivative product to hedge its exposure to currency risk.

### **Employee Remuneration and Relations**

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group and current market conditions.

As at 31 December 2013, the Target Group had 159 employees in the PRC, as compared to 174 employees as at 31 December 2012. The remuneration of the employees comprises basic salary and other allowances and retirement benefit scheme contributions. The Target Group's total expenses on employees' remuneration for the year ended 31 December 2013 was approximately RMB64.64 million, as compared to RMB76.5 million for the year ended 31 December 2012. As required by applicable PRC regulations, the Target Group participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

### **FOR THE 6 MONTHS ENDED 30 JUNE 2014**

#### **Financial Review**

During the 6-month period, the Target Group recorded a turnover of RMB1,655.37 million (six months ended 30 June 2013: RMB3,107.46 million), representing a decrease of 47% as compared with the six months ended 30 June 2013. Profit for the period amounted to RMB275.09 million (six months ended 30 June 2013: RMB1,057.61 million), representing a decrease of 74% as compared with the six months ended 30 June 2013. The profit attributable to owners of Merchants Property Development (Guangzhou) was RMB180.94 million (six months ended 30 June 2013: RMB660.17 million), representing a decrease of 73% as compared with the six months ended 30 June 2013.

The Target Group's aggregate contracted sales amounted to RMB796.73 million (six months ended 30 June 2013: RMB1,573.10 million), representing a decrease of 49% over that of the six months ended 30 June 2013. Aggregate contracted sales area was 42,413 sq.m. (six months ended 30 June 2013: 126,954 sq.m.), representing a decrease of 67% over that of the six months ended 30 June 2013.

The Target Group recorded gross profit of RMB600.68 million for the six months ended 30 June 2014, a decrease of 68% compared to RMB1,895.14 million for the six months ended 30 June 2013, which was mainly attributable to the decrease in turnover. The gross profit margin for the six months ended 30 June 2014 was 36%, compared to 61% over the same period for 2013. The decrease in gross profit margin was primarily because the two projects with relatively higher profits margins, Jinshan Valley and Evian Water Bank, contributed less to the total recognised revenue of the Target Group in the first half of 2014 than in the first half of 2013.

#### **Business Review**

As at 30 June 2014, the Target Group's portfolio of property development projects consists of 9 projects in Guangzhou, Foshan and Chongqing, with a primary focus on the

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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development of residential properties, as well as residential and commercial complex properties, and products types including apartments, villas, offices, retail shops and car parks.

Contracted sales, contracted sales area and contracted average selling price (*ASP*) realised by the Target Group for the six months ended 30 June 2014 are set out in the table below:

<b>Project</b>	<b>Contracted Sales</b> <i>(RMB million)</i>	<b>Contracted Sales Area</b> <i>(sq.m.)</i>	<b>Contracted ASP</b> <i>(RMB/sq.m.)</i>
<b>Guangzhou</b>			
Jinshan Valley (金山谷)	331.26	10,215	32,429
<b>Foshan</b>			
Evian Water Bank (依雲水岸)	35.23	2,777	12,686
Evian Tianhui (依雲天匯)	430.24	29,421	14,624

***Guangzhou***

As at 30 June 2014, the Target Group's projects in Guangzhou were Jinshan Valley and Huambo City:

- Jinshan Valley (金山谷) is a high-end residential and commercial complex located in Panyu District of Guangzhou; and
- ~ Huambo City (萬博) is a commercial building located in Panyu District of Guangzhou.

***Foshan***

As at 30 June 2014, the Target Group had the following projects in Foshan:

- Evian Water Bank (依雲水岸) is a high-end residential and commercial complex located in the Shunde District of Foshan;
- Evian Tianhui (依雲天匯) is a residential and commercial complex located in Nanhai District of Foshan;
- Park 1872 (公園1872) is residential and commercial complex located in Shunde District of Foshan;
- China Merchants Central Landmark (招商置地中心) is a commercial complex located in the Nanhai District of Foshan;
- Evian Mansion (依雲公館) is a residential and commercial complex located in Nanhai District of Foshan; and

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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- Evian King Bay (依雲雍景灣) is a residential and commercial complex located in Chancheng District of Foshan.

### *Chongqing*

As at 30 June 2014, the Target Group's project in Chongqing was Evian Bay (依雲江灣), which is a residential and commercial complex located in Banan District of Chongqing.

### *Land Acquisition*

The Target Group acquired one piece of land during the six months ended 30 June 2014. Total land cost of the piece of land was RMB1,460 million, total site area is approximately 17,779 sq.m. and the total saleable GFA amounted to approximately 112,859 sq.m. Details of the piece of land acquired are as follows:

<b>Project</b>	<b>Date</b>	<b>Location</b>	<b>Total land cost (RMB million)</b>	<b>Total site area (sq.m.)</b>	<b>Saleable GFA (sq.m.)</b>
Huambo City (萬博) <sup>1</sup>	January 2014	Panyu District, Guangzhou City	1,460	17,779	112,859

*Note:*

- <sup>1</sup> The land use rights certificate in relation to Huambo City has been obtained on 15 July 2014.

### **Liquidity and Financial Resources**

The Target Group financed its operations primarily by proceeds from the sales of the properties it developed. As at 30 June 2014, the Target Group's cash and cash equivalents amounted to RMB552.22 million, compared to RMB556.23 million as at 31 December 2013.

As at 30 June 2014, the net assets of the Target Group were approximately RMB1,130.27 million, compared to approximately RMB3,292.77 million as at 31 December 2013. The decrease was primarily due to the dividends declared by Jinshan Valley and Evian Water Bank. The Target Group's aggregate borrowings amounted to RMB2,435.36 million (as compared to RMB2,379.36 million for the year ended 31 December 2013), all of which was unsecured. All of the Target Group's borrowings are at annual interest rates determined by reference to the PBOC benchmark loan interest rate plus or minus a fixed margin. The overall net gearing ratio, which was calculated on the basis of borrowings minus cash and cash equivalents over total equity, was 167% compared to 55% as at 31 December 2013.

<b>APPENDIX III</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP</b>
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The maturity profile of the Target Group's borrowings is set out as follows:

	<b>As at 30 June 2014</b>	<b>As at 31 December 2013</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Repayable:</b>		
Within one year	1,100	940
Between one and two years	939.36	1,439.36
Between two and five years	396	–
After five years	–	–
	–	–
<b>Total</b>	<b>2,435.36</b>	<b>2,379.36</b>

#### **Pledge of Assets**

As at 30 June 2014, the Target Group did not have any pledged asset.

#### **Capital Expenditure Commitments**

The capital expenditure commitments of the Target Group as at 30 June 2014 were RMB1,799.59 million (compared with RMB2,261.49 million as at 31 December 2013), all of which were contracted but not provided for in the financial statements. The sources of funding for capital commitments consisted of mainly the Target Group's own operational funds and bank borrowings.

#### **Foreign Currency Exposure**

The Target Group conducts its business in Renminbi, and the Target Group does not have any material direct exposure to foreign exchange fluctuations. During the six months ended 30 June 2014, the Target Group has not used any foreign currency derivative product to hedge its exposure to currency risk.

#### **Contingent Liability**

As at 30 June 2014, the Target Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB34.31 million. The Target Group had not suffered from significant loss resulting from the above guarantees in the past, which was mainly because the guarantees concerned were only a transitional arrangement for its customers prior to the completion of the mortgage registration and were pledged against property rights, and they will be released once the mortgage registration is completed. Other than this, the Target Group did not have any material contingent liability as at 30 June 2014.



**Employee Remuneration and Relations**

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group and current market conditions.

As at 30 June 2014, the Target Group had 137 employees in the PRC, as compared to 159 employees as at 31 December 2013. The remuneration of the employees comprises basic salary and other allowances and retirement benefit scheme contributions. The Target Group's total expenses on employees' remuneration for the six months ended 30 June 2014 was approximately RMB13.69 million, as compared to RMB19.93 million for the six months ended 30 June 2013. As required by applicable PRC regulations, the Target Group participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

<b>APPENDIX IV    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION</b>
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The unaudited pro forma statement of assets and liabilities of the Group has been prepared based on the condensed consolidated statement of financial position of the Group as at 30 June 2014 as extracted from the interim condensed consolidated financial statements of the Company and has been adjusted for the effects of the Acquisition. The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Group have been upon completion of the Acquisition in any future periods or on any future dates.

	<b>The Group as at 30 June 2014 <i>RMB'000</i> (<i>unaudited</i>) (<i>Note 1</i>)</b>	<b>Pro forma adjustment <i>RMB'000</i> (<i>Note 2</i>)</b>	<b>As at 30 June 2014 <i>RMB'000</i></b>
<b>Non-current Assets</b>			
Property, plant and equipment	30,383		30,383
Investment properties	22,113		22,113
Goodwill	160,210		160,210
Deferred tax assets	325,907		325,907
Other receivables	831,619		831,619
	<b>1,370,232</b>		<b>1,370,232</b>
<b>Current assets</b>			
Properties for sale	18,965,187		18,965,187
Deposit paid for acquisitions of land use rights	2,965,606		2,965,606
Trade and other receivables	1,269,398		1,269,398
Tax recoverable	68,451		68,451
Bank balances and cash	4,459,590	(1,215,422)	3,244,168
	<b>27,728,232</b>		<b>26,512,810</b>
<b>Total assets</b>	<b>29,098,464</b>		<b>27,883,042</b>
<b>Current liabilities</b>			
Deposit received in respect of pre-sale of properties	5,153,918		5,153,918
Trade and other payables	3,359,742		3,359,742
Dividend payable to a non-controlling equity holder	962,031		962,031
Tax payable	96,072		96,072
Amount due to intermediate holding company	994,427		994,427
Bank and other borrowings – due within one year	1,100,000		1,100,000
	<b>11,666,190</b>		<b>11,666,190</b>

<b>APPENDIX IV    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION</b>
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	The Group as at 30 June 2014 <i>RMB'000</i> ( <i>unaudited</i> ) ( <i>Note 1</i> )	Prof forma adjustment <i>RMB'000</i> ( <i>Note 2</i> )	As at 30 June 2014 <i>RMB'000</i>
<b>Net current assets</b>	<b>16,062,042</b>		<b>14,846,620</b>
<b>Non-current liabilities</b>			
Loans from equity holders –			
due after one year	339,358		339,358
Bank and other borrowings –			
due after one year	3,644,000		3,644,000
Bonds payable – due after one year	3,032,838		3,032,838
Deferred tax liabilities	100,399		100,399
	<u>7,116,595</u>		<u>7,116,595</u>
<b>Net assets</b>	<b>10,315,679</b>		<b>9,100,257</b>
<b>Non-controlling interests</b>	<b>5,084,052</b>	<b>(249,328)</b>	<b>4,834,724</b>
<b>Net assets attributable to owners of the Company</b>	<b>5,231,627</b>		<b>4,265,533</b>

*Notes*

- 1 For the preparation of unaudited pro forma statements of assets and liabilities, the amounts are extracted from the condensed consolidated financial statements of the Group for the period ended 30 June 2014 as set out in the Company's interim report.
  
- 2 The adjustment represents the acquisition of 49% additional interests in Merchants Property Development (Guangzhou) Ltd, a non-wholly owned subsidiary of the Company, with total consideration of RMB1,212,767,000 as if the Acquisition had taken place on 30 June 2014 and the expenditures incurred directly attributable to the Acquisition (including the financial advisor fees, legal fees, printing costs, accountants fees and other related expenses) of approximately of RMB2,655,000. The amount of non-controlling interests amounting to RMB249,328,000 represents 49% of the net assets of Merchants Property Development (Guangzhou) Ltd. attributable to the owners of Merchants Property Development (Guangzhou) Ltd. amounting to RMB508,833,000. The difference between the consideration (including cost directly attributable to the Acquisition) and the share of non-controlling interest of Merchants Property Development (Guangzhou) Ltd is charged directly to the equity of the Group.



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF CHINA MERCHANTS LAND LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Merchants Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2014 and related notes as set out on pages IV-1 to IV-2 of the circular issued by the Company dated 25 August 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages IV-1 to IV-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 49% equity interest of Merchants Property Development (Guangzhou) Ltd on the Group's financial position as at 30 June 2014 (the "Acquisition") as if the Acquisition had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2014 as set out in the Company's 2014 interim report dated 1 August 2014.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

<b>APPENDIX IV    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION</b>
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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<b>APPENDIX IV    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION</b>
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**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 25 August 2014

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2014 of the property interests held by the Target Group.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

25 August 2014

The Board of Directors  
**China Merchants Land Limited**  
Room 1701, 17/F  
China Merchants Tower  
Shun Tak Centre  
Nos. 168–200 Connaught Road Central  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests to be acquired by China Merchants Land Limited (the “**Company**”) from Merchants Property Development (Guangzhou) Ltd. and its subsidiaries (hereinafter together referred to as the “**Target Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the capital values of the property interests as at 30 June 2014 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued property interests in Group I which are held by the Target Group for sale and property interests in Group IV which are held by the Target Group for future development by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties. For property interest in Group II which is held for investment by the Target Group, direct comparison approach is adopted and the existing tenancies are taken into account in arriving at the valuation.

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificates/Tables or Building Ownership Certificates/Real Title Certificates thereof are issued for by the relevant local authorities, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

In valuing the property interests in Group III which were currently under development as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Target Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Target Group according to the different stages of construction of the subject properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Work Commencement Permit(s) has (have) been issued while the Construction Work Completion and Inspection Certificate(s)/Table(s) of the building(s) have not been issued.

For the property interests in Group V which are contracted to be acquired by the Target Group, the Target Group has entered into agreements with the relevant government authorities. Since the Target Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the valuation date, we have attributed no commercial value to the property interests.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.



In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Construction Land Planning Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jun He Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in May 2014 by Mr. Michael Yu, Mr. Dave Cui, Ms. Jennifer Xu, Ms. Amy Wang, Ms. Charlotte Tang, Mr. Legend Zhan and Ms. Liz Yang. Mr. Michael Yu is a China Certified Real Estate Appraiser and has more than 6 years' experience in the valuation of properties in the PRC. Mr. Dave Cui and Ms. Jennifer Xu have more than 6 years' experience in the valuation of properties in the PRC. Ms. Amy Wang has 3 years' experience in the valuation of properties in the PRC. Ms. Charlotte Tang has 2 years' experience in the valuation of properties in the PRC. Mr. Legend Zhan and Ms. Liz Yang have 1 year's experience in the valuation of properties in the PRC.

**APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP**

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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**SUMMARY OF VALUES**

**Group I — Property interests held for sale by the Target Group in the PRC**

<b>No.</b>	<b>Property</b>	<b>Capital value in existing state as at 30 June 2014 RMB</b>	<b>Interest attributable to the Target Group</b>	<b>Capital value attributable to the Target Group as at 30 June 2014 RMB</b>
1.	The unsold portion of Phases II to IV and Phase VIII of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	1,344,000,000	100%	1,344,000,000
2.	The unsold portion of Phase I of Evian Tianhui located near the Qiandenghu Park on Nanping Road Nanhai District Foshan City Guangdong Province The PRC	143,000,000	50%	71,500,000
3.	The unsold portion of Phases I to IV of Evian Water Bank located at the northern side of Yuhe Road and the eastern side of Fenjiang South Road Dongping New Town Foshan City Guangdong Province The PRC	287,000,000	50%	143,500,000
	<b>Sub-total:</b>	<b><u>1,774,000,000</u></b>		<b><u>1,559,000,000</u></b>

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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**Group II — Property interest held for investment by the Target Group in the PRC**

No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Target Group	Capital value attributable to the Target Group as at 30 June 2014 <i>RMB</i>
4.	Various retail units of Phase II of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	94,000,000	100%	94,000,000
	<b>Sub-total:</b>	<b><u>94,000,000</u></b>		<b><u>94,000,000</u></b>

**Group III — Property interests held under development by the Target Group in the PRC**

No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Target Group	Capital value attributable to the Target Group as at 30 June 2014 <i>RMB</i>
5.	Phase I of the Creative Park of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	1,087,000,000	100%	1,087,000,000

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Target Group	Capital value attributable to the Target Group as at 30 June 2014 <i>RMB</i>
6.	Phase VII of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	184,000,000	100%	184,000,000
7.	Phase II of Evian Tianhui under construction located near the Qiandenghu Park on Nanping Road Nanhai District Foshan City Guangdong Province The PRC	1,629,000,000	50%	814,500,000
8.	China Merchants Central Landmark located at the western side of a planning road the eastern side of Guilan Road the northern side of a planning road and the southern side of Haiqi Road A27 Block of Guicheng Street Nanhai District Foshan City Guangdong Province The PRC	982,000,000	51%	500,820,000

APPENDIX V	PROPERTY VALUATION OF THE TARGET GROUP
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No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Target Group	Capital value attributable to the Target Group as at 30 June 2014 <i>RMB</i>
9.	Park 1872 under construction located at the northern side of Shengping Road and the eastern side of Longpan West Road Desheng Business District Shunde New Town Shunde District Foshan City Guangdong Province The PRC	1,642,000,000	100%	1,642,000,000
10.	Phase I of Evian Mansion under construction located at Dazheng Road Jiujiang Town Nanhai District Foshan City Guangdong Province The PRC	257,000,000	55%	141,350,000
	<b>Sub-total:</b>	<b><u>5,781,000,000</u></b>		<b><u>4,369,670,000</u></b>

APPENDIX V	PROPERTY VALUATION OF THE TARGET GROUP
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**Group IV — Property interests held for future development by the Target Group in the PRC**

No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Target Group	Capital value attributable to the Target Group as at 30 June 2014 <i>RMB</i>
11.	The reserved land for the remaining Phases of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	1,514,000,000	100%	1,514,000,000
12.	Phases II and III of Evian Mansion located at Dazheng Road Jiujiang Town Nanhai District Foshan City Guangdong Province The PRC	211,000,000	55%	116,050,000
	<b>Sub-total:</b>	<b><u>1,725,000,000</u></b>		<b><u>1,630,050,000</u></b>

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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**Group V — Property interests contracted to be acquired by the Target Group in the PRC**

No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2014 <i>RMB</i>
13.	A parcel of land located at Wanbo Business Zone Nancun Town Panyu District Guangzhou City Guangdong Province The PRC	No commercial value	100%	No commercial value
14.	A parcel of land and buildings under construction located at the northern side of Jihua Bridge and the western side of Dongping River Nanzhuang Town Chancheng District Foshan City Guangdong Province The PRC	No commercial value	50%	No commercial value
15.	Phase I of Chongqing Evian Bay under construction located at the eastern side of Babin Road and the northern side of Inner Ring Expressway Banan District Chongqing The PRC	No commercial value	100%	No commercial value



APPENDIX V	PROPERTY VALUATION OF THE TARGET GROUP
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No.	Property	Capital value in existing state as at 30 June 2014 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2014 <i>RMB</i>
16.	Phases II and III of Evian Bay located at the eastern side of Babin Road and the northern side of Inner Ring Expressway Banan District Chongqing The PRC	No commercial value	100%	No commercial value
	<b>Sub-total:</b>	<u><u>Nil</u></u>		<u><u>Nil</u></u>
	<b>Grand-total:</b>	<u><u>9,374,000,000</u></u>		<u><u>7,652,720,000</u></u>

**VALUATION CERTIFICATE**

**Group I — Property interests held for sale by the Target Group in the PRC**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
1.	The unsold portion of Phases II to IV and Phase VIII of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises the unsold portion of Phases II to IV and Phase VIII of a large scale composite development known as Jinshan Valley completed in various stages between 2010 and 2013.</p> <p>The property is located at the southern side of Xinguang Avenue, the eastern side of Jinshan Avenue and the northern side of Shiguang Road in Panyu District of Guangzhou City. The subject area of the property is well-served by public transportation with 20 minutes' driving distance to the city centre and close to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment and commercial facilities with reasonable proximity to Dafushan Forest Park, Changlong Holiday Resort, Jinshan Lake Reservoir as well as Qixinggang Sports Park.</p>	The property was vacant for sale as at the valuation date.	<p>1,344,000,000</p> <p>(100% interest attributable to the Target Group: RMB1,344,000,000)</p>

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
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The property has a total gross floor area of approximately 50,305.27 sq.m. and the details are set out as below:

Usage	Gross Floor Area (sq.m.)
Residential	27,240.5
Commercial	9,682.11
Car parking spaces (1,048 car parking lots)	13,382.66
<b>Total:</b>	<b>50,305.27</b>

The land use rights of the property have been granted for a term of 70 years expiring on 1 November 2075 for residential and commercial uses.

*Notes:*

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts both dated 23 December 2003 entered into between the State-owned Land Resources and Building Administration Bureau of Panyu District of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. ("Merchants Property Development (Guangzhou)"), the land use rights of 2 parcels of land (land parcel Nos. G32-000250 and G32-000252, including the land parcel of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	312,519.70 sq.m. (52,759 sq.m. for land parcel No. G32-000250 and 259,760.7 sq.m. for land parcel No. G32-000252)
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤2.8 for land parcel No. G32-000250 ≤0.83 for land parcel No. G32-000252
Land Premium	:	RMB47,455,933 for land parcel No. G32-000250 RMB233,651,758 for land parcel No. G32-000252

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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2. Pursuant to 2 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels has been granted to Merchants Property Development (Guangzhou). The details are set out as follows:

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	Sui Gui Di Zheng (2006) No. 1672	73,951	20 December 2006
(2)	Sui Gui Di Zheng (2006) No. 1673	262,932	20 December 2006
<b>Total:</b>		<b>336,883</b>	

3. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of 2 parcels of land with a total site area of approximately 312,519.7 sq.m. (on which the property is located) have been granted to Merchants Property Development (Guangzhou). The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	No. G32-000250	52,759	1 November 2075	Residential and Commercial
(2)	No. G32-000252	259,760.70	1 November 2075	Residential and Commercial
<b>Total:</b>		<b>312,519.7</b>		

4. Pursuant to 5 Construction Work Planning Permits issued by the Urban Planning Bureau of Guangzhou City in favour of Merchants Property Development (Guangzhou), the construction works of Phases II to IV and VIII of Jinshan Valley have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Sui Gui Jian Zheng (2009) No. 792	61,115	24 March 2009
(2)	Sui Gui Jian Zheng (2009) No. 100	33,553	14 January 2009
(3)	Sui Gui Jian Zheng (2011) No. 417	34,683	15 March 2011
(4)	Sui Gui Jian Zheng (2009) No. 3179	266,369	20 July 2009
(5)	Sui Gui Jian Zheng (2011) No. 1032	45,005	30 May 2011
<b>Total:</b>		<b>440,725</b>	

5. Pursuant to 7 Construction Work Commencement Permits issued by the Construction Bureau of Panyu District of Guangzhou City in favour of Merchants Property Development (Guangzhou), the commencement of the construction works of Phases II to IV and VIII of Jinshan Valley has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440126200809040101	61,095	4 September 2008
(2)	440126201105200401	34,683	20 May 2011
(3)	440126200904150201	33,553	15 April 2009
(4)	440126200912170201	98,093	17 December 2009
(5)	440126201003310301	88,743	31 March 2010
(6)	440126200912170101	79,533	17 December 2009
(7)	440126201112060101	45,005	6 December 2011
<b>Total:</b>		<b>440,705</b>	

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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6. Pursuant to 7 Pre-sale Permits, Merchants Property Development (Guangzhou) is entitled to sell portions of Phases II, III-1, IV and VIII of Jinshan Valley with a total gross floor area of approximately 294,571.37 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Panyu Fang Yu (Wang) Zi Di No. 20090086	34,653.90	17 April 2009
(2)	Sui Fang Yu (Wang) Zi Di No. 20090434	32,555.47	15 December 2009
(3)	Sui Fang Yu (Wang) Zi Di No. 20100467	29,316.09	15 July 2010
(4)	Sui Fang Yu (Wang) Zi Di No. 20100468-2	72,659.06	2 June 2011
(5)	Sui Fang Yu (Wang) Zi Di No. 20100635	34,149.94	2 September 2010
(6)	Sui Fang Yu (Wang) Zi Di No. 20100831-2	65,889.08	2 June 2011
(7)	Sui Fang Yu (Wang) Zi Di No. 20111102-1	25,347.84	12 March 2012
<b>Total:</b>		<b>294,571.37</b>	

7. Pursuant to 6 Construction Work Completion and Inspection Certificates, Phases II to IV and VIII of Jinshan Valley have been approved to be complied with the urban and rural planning requirements. The details are set out as follows:

No.	Construction Work Completion and Inspection Certificate No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Sui Gui Yan Zheng (2010) No. 432	32,573.54	14 April 2010
(2)	Sui Gui Yan Zheng (2010) No. 1207	61,761.16	8 September 2010
(3)	Sui Gui Yan Zheng (2012) No. 125	196,477.62	10 February 2012
(4)	Sui Gui Yan Zheng (2012) No. 434	34,310.37	6 June 2012
(5)	Sui Gui Yan Zheng (2012) No. 552	70,231.73	9 July 2012
(6)	Sui Gui Yan Zheng (2013) No. 297	44,899.84	27 April 2013
<b>Total:</b>		<b>440,254.26</b>	

8. As advised by Merchants Property Development (Guangzhou), portions of the property with a total gross floor area of approximately 13,166.77 sq.m. have been pre-sold to various purchasers at a total consideration of RMB509,534,398. Such portions of the property have not been legally and virtually transferred to purchasers and therefore have been included in our valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted price of such portions.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Merchants Property Development (Guangzhou) is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contracts are legal and valid and the land premiums have been paid. Merchants Property Development (Guangzhou) has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificates, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

- b. As the project has been completed and passed final acceptance of construction, Merchants Property Development (Guangzhou) can use the relevant Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and documents of Construction Work Completion and Inspection to apply for certificate of property ownership from relevant real estate administrative bureau;
  - c. For the buildings of the property that have not been sold or pre-sold, Merchants Property Development (Guangzhou) is in possession of the real right of such buildings and their corresponding land use rights in accordance with the laws and therefore has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings by other legal ways;
  - d. For the units of the property that have been pre-sold but are pending for completion of transfer, Merchants Property Development (Guangzhou) still holds the pre-sold units and land use rights, however, Merchants Property Development (Guangzhou) cannot transfer, mortgage or otherwise dispose of such units; and
  - e. According to Merchants Property Development (Guangzhou)'s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.
10. A summary of major certificates/approvals is shown as follows:
- |    |   |         |
|----|---|---------|
| a. | State-owned Land Use Rights Certificate                       | Yes     |
| b. | Building Ownership Certificate                                | No      |
| c. | Construction Land Planning Permit                             | Yes     |
| d. | Construction Work Planning Permit                             | Yes     |
| e. | Construction Work Commencement Permit                         | Yes     |
| f. | Pre-sale Permit   | Portion |
| g. | Construction Work Completion and Inspection Certificate/Table | Yes     |
11. In valuing the property, we have adopted the assumed rate of RMB11,000 to RMB33,000 per sq.m. for the residential portion, RMB19,000 to RMB22,000 per sq.m. for the commercial portion and RMB176,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of domestic premises range from RMB10,000 to RMB43,000 per sq.m. The prices of commercial premises range from RMB18,000 to RMB24,000 per sq.m. In the aspect of car parking spaces, the prices range from RMB160,000 to RMB200,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB										
2.	The unsold portion of Phase I of Evian Tianhui located near the Qiandenghu Park on Nanping Road Nanhai District Foshan City Guangdong Province The PRC	<p>The property comprises various residential and commercial units and car parking spaces of Foshan Evian Tianhui which was completed in September 2013.</p> <p>The property is located besides Nanping Road, near Qiandenghu Park and Qiandenghu Subway Station of Nanhai District in Foshan City and well-served by good facilities and convenient traffic. The surrounding environment is a residential area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 24,052.48 sq.m. and the details are set out as below:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">3,685.79</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">4,522.27</td> </tr> <tr> <td>Car parking spaces (458 car parking lots)</td> <td style="text-align: right; border-top: 1px solid black;">15,844.42</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-top: 3px double black;"><b>24,052.48</b></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for terms of 70 years expiring on 22 July 2080 for residential use and 40 years expiring on 22 July 2050 for commercial use, respectively.</p>	Usage	Gross Floor Area (sq.m.)	Residential	3,685.79	Commercial	4,522.27	Car parking spaces (458 car parking lots)	15,844.42	<b>Total:</b>	<b>24,052.48</b>	<p>The property was vacant for sale as at the valuation date.</p>	<p>143,000,000</p> <p>50% interest attributable to the Target Group: RMB71,500,000</p>
Usage	Gross Floor Area (sq.m.)													
Residential	3,685.79													
Commercial	4,522.27													
Car parking spaces (458 car parking lots)	15,844.42													
<b>Total:</b>	<b>24,052.48</b>													

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts — Nos. 440605-2010-000145 and 440605-2010-000142 dated 6 August 2010 and 2 August 2010 respectively entered into among Foshan State-owned Land Resources Bureau, Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”) and Huidefeng Real Estate Guangzhou Company Limited (“Guangzhou Huidefeng”, an independent third party), the land use rights of 2 parcels of land (including the land parcels of this property and property no. 7) were contracted to be granted to Merchants Property Development (Guangzhou) and Guangzhou Huidefeng with the particulars as follows:

Site Area	:	56,101.70 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	4.0
Land Premium	:	RMB1,104,000,000

2. Pursuant to 2 Alteration Agreements of State-owned Construction Land Use Rights Grant Contract — Nos. 440605-2010-000145-Bu 01 and 440605-2010-000142-Bu 01 both dated 26 August 2010, the grantee names of the land use rights of the property mentioned in note 1 were changed to Foshan Yiyun Real Estate Company Limited (“Foshan Yiyun”, a 50% interest owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd. and Huidefeng Real Estate Guangzhou Company Limited.
3. Pursuant to 2 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels (including the land parcels of this property and property no. 7) has been granted to Foshan Yiyun. The details are set out as follows:

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	Di Zi Di No. 440605201100043	30,186.8	20 April 2011
(2)	Di Zi Di No. 440605201100044	25,914.9	20 April 2011
<b>Total:</b>		<b>56,101.7</b>	

4. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of 2 parcels of land with a total site area of approximately 56,101.7 sq.m. (on which this property and property no. 7 are located) have been granted to Foshan Yiyun. The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Fo Fu Nan Guo Yong (2011) Di No. 0107304	25,914.9	Residential: 22 July 2080 Commercial: 22 July 2050	Residential and Commercial
(2)	Fo Fu Nan Guo Yong (2011) Di No. 0107305	30,186.8	Residential: 22 July 2080 Commercial: 22 July 2050	Residential and Commercial
<b>Total:</b>		<b>56,101.7</b>		



<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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5. Pursuant to 5 Construction Work Planning Permits issued by State-owned Land Urban Construction and Water Bureau of Nanhai District of Foshan City in favour of Foshan Yiyun, the construction works of Phase I of Evian Tianhui have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440605201101053	25,047.68	24 August 2011
(2)	440605201101054	22,883.05	24 August 2011
(3)	440605201101051	30,036.95	24 August 2011
(4)	440605201101049	4,637.47	24 August 2011
(5)	440605201101050	27,866.30	24 August 2011
<b>Total:</b>		<b>110,471.45</b>	

6. Pursuant to 5 Construction Work Commencement Permits issued by State-owned Land Urban Construction and Water Bureau of Nanhai District of Foshan City in favour of Foshan Yiyun, the commencement of the construction works of Phase I of Evian Tianhui has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440622201111250101	25,047.68	25 November 2011
(2)	440622201111250201	22,883.05	25 November 2011
(3)	440622201112020401	30,036.95	2 December 2011
(4)	440622201112020601	4,637.47	2 December 2011
(5)	440622201112020501	27,866.30	2 December 2011
<b>Total:</b>		<b>110,471.45</b>	

7. Pursuant to 5 Pre-sale Permits, Foshan Yiyun is entitled to sell Phase I of Evian Tianhui (exclusive of the car parking spaces) with a total gross floor area of approximately 91,034.66 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Nan Fang Yu Zi Di No. 2013008802	2,501.11	31 May 2013
(2)	Nan Fang Yu Zi Di No. 2012003002	20,301.82	22 May 2013
(3)	Nan Fang Yu Zi Di No. 2012003102	21,635.36	22 May 2013
(4)	Nan Fang Yu Zi Di No. 2012003202	23,387.64	22 May 2013
(5)	Nan Fang Yu Zi Di No. 2012009102	23,208.73	22 May 2013
<b>Total:</b>		<b>91,034.66</b>	

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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8. Pursuant to 5 Construction Work Completion and Inspection Tables issued by State-owned Land Urban Construction and Water Bureau of Naihai District of Foshan City in favour of Foshan Yiyun, Phase I of Evian Tianhui has been approved to be complied with the urban and rural planning requirements. The details are set out as follows:

No.	Building	Construction Work Commencement Permit No.	Inspection date	Issuance date
(1)	Building No.2 of A18	440622201111250201	18 September 2013	23 September 2013
(2)	Building No.1 of A18	440622201111250101	18 September 2013	23 September 2013
(3)	Building No.4 of A21	440622201112020401	10 September 2013	23 September 2013
(4)	Building No.5 of A21	440622201112020501	10 September 2013	23 September 2013
(5)	Shopping center of A21	440622201112020601	10 September 2013	23 September 2013

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Foshan Yiyun is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Yiyun has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. As the project has been completed and passed final acceptance of construction, Foshan Yiyun can use the relevant Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and documents of Construction Work Completion and Inspection to apply for certificate of property ownership from relevant real estate administrative bureau;
- c. For the units of the property that have been pre-sold but are pending for completion of transfer, Foshan Yiyun still holds the pre-sold units and land use rights, however, Foshan Yiyun cannot transfer, mortgage or otherwise dispose of such units; and
- d. According to Foshan Yiyun's written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes

11. In valuing the property, we have adopted the assumed rate of RMB11,000 to RMB13,000 per sq.m. for the residential portion, RMB18,000 per sq.m. for the commercial portion and RMB160,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of domestic premises range from RMB10,000 to RMB12,000 per sq.m. The prices of commercial premises range from RMB18,000 to RMB20,000 per sq.m. The prices of domestic car parking spaces range from RMB130,000 to RMB160,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB												
3.	The unsold portion of Phases I to IV of Evian Water Bank located at the northern side of Yuhe Road and the eastern side of Fenjiang South Road Dongping New Town Foshan City Guangdong Province The PRC	<p>The property comprises the unsold portion of Phases I to IV of a large scale residential development known as Evian Water Bank completed in various stages between 2009 and 2012.</p> <p>The property is located at the core area of Dongping New City which is planned to be developed into a Central Business District, media centre, Foshan Park and cultural integrated project complimented with a wide range of ancillary facilities. The economic and cultural hubs of Chancheng and Shunde are within 20 minutes' driving distance and an extension of a metro station located at the southern side of the property is currently under construction and will open by 2015.</p> <p>The property has a total gross floor area of approximately 24,792.72 sq.m. and the details are set out as below:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">6,730.10</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">3,147.26</td> </tr> <tr> <td>Club house</td> <td style="text-align: right;">4,459.00</td> </tr> <tr> <td>Car parking spaces</td> <td style="text-align: right; border-top: 1px solid black;">10,456.36</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-top: 3px double black;"><b>24,792.72</b></td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Residential	6,730.10	Commercial	3,147.26	Club house	4,459.00	Car parking spaces	10,456.36	<b>Total:</b>	<b>24,792.72</b>	The property was vacant for sale as at the valuation date.	<p>287,000,000</p> <p>(50% interest attributable to the Group: RMB143,500,000)</p>
Usage	Gross Floor Area (sq.m.)															
Residential	6,730.10															
Commercial	3,147.26															
Club house	4,459.00															
Car parking spaces	10,456.36															
<b>Total:</b>	<b>24,792.72</b>															
		<p>The land use rights of the property have been granted for terms of 40 years expiring on 5 November 2047 for commercial use, 50 years expiring on 5 November 2057 for office use and 70 years expiring on 5 November 2077 for residential use, respectively.</p>														

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 440601-2007-000450 of Foshan City dated 7 December 2007 entered into between the State-owned Land and Resources Bureau of Foshan City and Foshan Xin Cheng Property Development Co., Ltd. (“Foshan Xin Cheng”, a 50% interest owned subsidiary of Merchants Property Development (Guangzhou) Ltd.), the land use rights of 2 parcels of land (land parcels A and B) on which the property is located were contracted to be granted to Foshan Xin Cheng with the particulars as follows:

Site Area	:	202,755 sq.m. (106,326 sq.m. for land parcel A and 96,429 sq.m. for land parcel B)
Land Use	:	Commercial, Office and Residential
Land Term	:	40 years for commercial use, 50 years for office use and 70 years for residential use
Plot Ratio	:	≤1.6 for land parcel A ≤3.0 for land parcel B
Land Premium	:	RMB950,000,000

2. Pursuant to 4 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels has been granted to Foshan Xin Cheng. The details are set out as follows:

No.	Permit No.	Site Area <i>(sq.m.)</i>	Issuance date
(1)	Fo Gui Di Zheng (2007) No. 23	61,073	29 December 2007
(2)	Fo Gui Di Zheng (2007) No. 24	74,306	29 December 2007
(3)	Fo Gui Di Zheng (2007) No. 25	69,103	29 December 2007
(4)	Fo Gui Di Zheng (2007) No. 26	61,928	29 December 2007
	<b>Total:</b>	<b>266,410</b>	

**APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP**

3. Pursuant to 4 State-owned Land Use Rights Certificates, the land use rights of 4 parcels of land with a total site area of approximately 173,104.93 sq.m. (on which the property is located) were granted to Foshan Xin Cheng. The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Fo Fu (Shun) Guo Yong (2007) Di No. 0500903	47,156.92	Residential: 5 November 2077 Commercial: 5 November 2047 Office: 5 November 2057	Residential, Commercial and Office
(2)	Fo Fu (Shun) Guo Yong (2007) Di No. 0500900	58,792.06	Residential: 5 November 2077 Commercial: 5 November 2047 Office: 5 November 2057	Residential, Commercial and Office
(3)	Fo Fu (Shun) Guo Yong (2007) Di No. 0500902	36,713.14	Residential: 5 November 2077 Commercial: 5 November 2047 Office: 5 November 2057	Residential, Commercial and Office
(4)	Fo Fu (Shun) Guo Yong (2007) Di No. 0500901	30,442.81	Residential: 5 November 2077 Commercial: 5 November 2047 Office: 5 November 2057	Residential, Commercial and Office
<b>Total:</b>		<b>173,104.93</b>		

4. Pursuant to 6 Construction Work Planning Permits issued by the Planning Bureau of Foshan City in favour of Foshan Xin Cheng, the construction works of 64 buildings of Phases I to IV of Evian Water Bank have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Jian Zi Di No. 440600200800012	4,459.00	29 May 2008
(2)	Jian Zi Di No. 440600200800023	133,837.00	17 September 2008
(3)	Jian Zi Di No. 440600200800024	85,751.46	17 September 2008
(4)	Jian Zi Di No. 440600201000012	63,034.50	7 April 2010
(5)	Jian Zi Di No. 440600201000013	102,560.00	6 May 2010
(6)	Jian Zi Di No. 440600201000014	140,560.00	6 May 2010
<b>Total:</b>		<b>530,201.96</b>	

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

5. Pursuant to 6 Construction Work Commencement Permits issued by the Construction Bureau of Foshan City in favour of Foshan Xin Cheng, the commencement of the construction works of 64 buildings of Phases I to IV of Evian Water Bank has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440600200807010201	4,459.00	1 July 2008
(2)	440600200812160201	133,837.00	16 December 2008
(3)	440600200812160101	85,751.46	16 December 2008
(4)	440600201006230101	63,034.50	23 June 2010
(5)	440600201008030101	102,560.00	3 August 2010
(6)	440600201007210101	140,560.00	23 July 2010
<b>Total:</b>		<b>530,201.96</b>	

6. Pursuant to 9 Pre-sale Permits, Foshan Xin Cheng is entitled to sell 1,302 residential and retail units of Phases III and IV of Evian Water Bank (exclusive of the car parking spaces) with a total gross floor area of approximately 224,729.07 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	2011001603	5,253	26 January 2011
(2)	2011001903	45,129.86	30 January 2011
(3)	2011002803	32,542.59	4 March 2011
(4)	2011005903	14,943.24	12 April 2011
(5)	2011010303	14,625.22	2 June 2011
(6)	2011011103	20,019.25	23 June 2011
(7)	2011017303	19,941.31	9 September 2011
(8)	2012001803	39,468.73	2 February 2012
(9)	2012003103	32,805.87	15 March 2012
<b>Total:</b>		<b>224,729.07</b>	

7. Pursuant to 6 Construction Work Completion and Inspection Certificates, 64 buildings of Phases I to IV of Evian Water Bank have been approved to be complied with the urban and rural planning requirements.

8. As advised by Foshan Xin Cheng, portions of the property with a total gross floor area of approximately 8,285.9 sq.m. have been pre-sold to various third parties at a total consideration of RMB140,668,050. Such portions of the property have not been legally and virtually transferred to purchasers and therefore have been included in our valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted price of such portions.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Foshan Xin Cheng is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Xin Cheng has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. As the project has been completed and passed final acceptance of construction, Foshan Xin Cheng can use the relevant Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and documents of Construction Work Completion and Inspection to apply for certificate of property ownership from relevant real estate administrative bureau;

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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- c. For the units of the property that have been pre-sold but are pending for completion of transfer, Foshan Xin Cheng still holds the pre-sold units and land use rights, however, Foshan Xin Cheng cannot transfer, mortgage or otherwise dispose of such units; and
- d. According to Foshan Xin Cheng’s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table	Yes

11. In valuing the property, we have adopted the assumed rate of RMB9,000 to RMB33,000 per sq.m. for the residential portion, RMB12,000 to RMB64,000 per sq.m. for the commercial portion and RMB110,000 to RMB380,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of domestic premises range from RMB9,000 to RMB64,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.



**VALUATION CERTIFICATE**

**Group II — Property interest held for investment by the Target Group in the PRC**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
4.	Various retail units of Phase II of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises various retail units of Phase II of a large scale composite development known as Jinshan Valley completed in 2010.</p> <p>The property is located at the southern side of Xinguang Avenue, the eastern side of Jinshan Avenue and the northern side of Shiguang Road in Panyu District of Guangzhou City. The subject area of the property is well-served by public transportation with 20 minutes' driving distance to the city centre and close to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment and commercial facilities with reasonable proximity to Dafushan Forest Park, Changlong Holiday Resort, Jinshan Lake Reservoir as well as Qixinggang Sports Park.</p> <p>The property has a total gross floor area of approximately 3,609.39 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 1 November 2075 for residential and commercial uses.</p>	<p>Portions of the property with a total gross floor area of approximately 3,112.71 sq.m. were rented to 2 independent third parties for commercial purpose as at the valuation date, whilst the remaining portions of the property were vacant.</p>	<p style="text-align: right;">94,000,000</p> <p style="text-align: right;">(100% interest attributable to the Target Group: RMB94,000,000)</p>

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

### Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 23 December 2003 entered into between the State-owned Land Resources and Building Administration Bureau of Panyu District of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (including the land use rights of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	259,760.7 sq.m.
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤0.83
Land Premium	:	RMB233,651,758

2. Pursuant to a Construction Land Planning Permit — Sui Gui Di Zheng (2006) No. 1673, permission towards the planning of the aforesaid land parcel with a site area of approximately 262,932 sq.m. has been granted to Merchants Property Development (Guangzhou).
3. Pursuant to a State-owned Land Use Rights Certificate — No. G32-000252, the land use rights of a parcel of land with a site area of approximately 259,760.7 sq.m. (on which the property is located) have been granted to Merchants Property Development (Guangzhou) for a common term of 70 years expiring on 1 November 2075 for residential and commercial uses.
4. Pursuant to a Construction Work Planning Permit — Sui Gui Jian Zheng (2009) No. 792 issued by the Urban Planning Bureau of Guangzhou City in favour of Merchants Property Development (Guangzhou), the construction works of Phase II with a total planned gross floor area of approximately 61,115 sq.m. (including this property) have been approved.
5. Pursuant to a Construction Work Commencement Permit — No. 440126200809040101 issued by the Construction Bureau of Panyu District of Guangzhou City in favour of Merchants Property Development (Guangzhou), the commencement of the construction works of Phase II of Jinshan Valley with a gross floor area of approximately 60,869 sq.m. has been permitted.
6. Pursuant to a Pre-sale Permit — Panyu Fang Yu (Wang) Zi Di No. 20090086, Merchants Property Development (Guangzhou) is entitled to sell portions of Phase II of Jinshan Valley (including this property) with a total gross floor area of approximately 34,653.9 sq.m. to purchasers.
7. Pursuant to a Construction Work Completion and Inspection Certificate — Sui Gui Yan Zheng (2010) No. 1207, Phase II of Jinshan Valley has been approved to be complied with the urban and rural planning requirements.
8. According to 2 Tenancy Agreements, portions of the property with a total gross floor area of approximately 3,112.71 sq.m. were rented to 2 independent third parties for various terms with the expiry dates between 31 October 2018 and 31 August 2020 at a total monthly rent of RMB297,073 as at the valuation date, inclusive of property tax, land use tax, house leasing administration fee and stamp duty but exclusive of management fees, water and electricity charges.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Merchants Property Development (Guangzhou) is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Merchants Property Development (Guangzhou) has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights;

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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- b. As the project has been completed and passed final acceptance of construction, Merchants Property Development (Guangzhou) can use the relevant Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and documents of Construction Work Completion and Inspection to apply for certificate of property ownership from relevant real estate administrative bureau; and
- c. According to Merchants Property Development (Guangzhou)'s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	No
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table	Yes

11. In valuing the property, we have adopted the assumed rate of RMB24,000 to RMB43,600 per sq.m. for the commercial portion.

In undertaking our valuation of the property, we have made reference to various recent sales prices of retail premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of retail property within the same district. The prices of retail premises range from RMB22,000 to RMB47,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those sales transactions have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**VALUATION CERTIFICATE**

**Group III — Property interests held under development by the Target Group in the PRC**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
5.	Phase I of the Creative Park of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a portion of a parcel of land with a site area of approximately 75,000 sq.m. and an office and commercial development (known as Phase I of the Creative Park of Jinshan Valley) which was being constructed thereon as at the valuation date.</p> <p>The property is located at the southern side of Xinguang Avenue, the eastern side of Jinshan Avenue and the northern side of Shiguang Road in Panyu District of Guangzhou City. The subject area of the property is well-served by public transportation with 20 minutes' driving distance to the city centre and close to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment and commercial facilities with reasonable proximity to Dafushan Forest Park, Changlong Holiday Resort, Jinshan Lake Reservoir as well as Qixinggang Sports Park.</p>	The property was under construction as at the valuation date.	<p>1,087,000,000</p> <p>(100% interest attributable to the Target Group: RMB1,087,000,000)</p>

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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<b>No.</b>	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Capital value in existing state as at 30 June 2014</b> <i>RMB</i>
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The development of the property is scheduled to be completed in September 2014. Upon completion, the development will have a total gross floor area of approximately 145,962 sq.m. and the details are set out as below:

<b>Usage</b>	<b>Planned Gross Floor Area (sq.m.)</b>
Commercial	24,840
Office	71,444
Basement (inclusive of 900 car parking lots)	49,678
<b>Total:</b>	<b>145,962</b>

The total construction cost is estimated to be approximately RMB794,000,000, of which approximately RMB398,000,000 had been paid as at the valuation date.

The land use rights of the property have been granted for a term of 40 years expiring on 1 November 2045 for commercial service use.

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

- Pursuant to a State-owned Land Use Rights Grant Contract dated 23 December 2003 entered into between the State-owned Land Resources and Building Administration Bureau of Panyu District of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (land parcel No. G32-000251, including the land parcel of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	276,036 sq.m. (land parcel No. G32-000251)
Land Use	:	Commercial service
Land Term	:	40 years for commercial service use
Plot Ratio	:	≤1.0
Land Premium	:	RMB248,291,293

- Pursuant to an Alteration Agreement of State-owned Construction Land Use Rights Grant Contract — No.1 Alteration Agreement of Sui Pan Guo Di Chu He (2013) No. 022 dated 5 August 2013 entered into between Merchants Property Development (Guangzhou) and State-owned Land Resources and Housing Administration Bureau of Panyu District of Guangzhou City, the total site area of 4 parcels of land (land parcel Nos. G32-000249, G32-000250, G32-000251 and G32-000252, including the land parcel of this property) was adjusted to 720,345 sq.m. and the additional land premium for State-owned Land Use Rights Assignment is RMB32,292,207. As advised by Merchants Property Development (Guangzhou), the additional land premium has been fully settled.
- Pursuant to a Construction Land Planning Permit — Sui Gui Di Zheng (2010) No. 107, permission towards the planning of the aforesaid land parcel with a site area of approximately 384,224 sq.m. has been granted to Merchants Property Development (Guangzhou).
- Pursuant to a State-owned Land Use Rights Certificate — No. G34-000695, the land use rights of a parcel of land with a site area of approximately 299,991.8 sq.m. (including the land parcel of this property) have been granted to Merchants Property Development (Guangzhou) for a term of 40 years expiring on 1 November 2045 for commercial service use.
- Pursuant to 4 Construction Work Planning Permits issued by the Urban Planning Bureau of Guangzhou City in favour of Merchants Property Development (Guangzhou), the construction works of Phase I of the Creative Park of Jinshan Valley have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Sui Gui Jian Zheng (2013) No. 322	36,909	7 February 2013
(2)	Sui Gui Jian Zheng (2013) No. 1526	31,350	19 August 2013
(3)	Sui Gui Jian Zheng (2013) No. 1535	54,521	20 August 2013
(4)	Sui Gui Jian Zheng (2013) No. 2211	26,254	3 December 2013
<b>Total:</b>		<b>149,034</b>	

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

6. Pursuant to 3 Construction Work Commencement Permits issued by the Construction Bureau of Panyu District of Guangzhou City in favour of Merchants Property Development (Guangzhou), the commencement of the construction works of Phase I of the Creative Park of Jinshan Valley has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440126201304250501	37,109	25 April 2013
(2)	440126201311280101	80,735	28 November 2013
(3)	440126201310290201	31,350	29 October 2013
<b>Total:</b>		<b>149,194</b>	

7. Pursuant to 2 Pre-sale Permits, Merchants Property Development (Guangzhou) is entitled to sell portions of Phases I-1 and I-2 of the Creative Park of Jinshan Valley with a total gross floor area of approximately 48,718.32 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Sui Fang Yu (Wang) Zi Di No. 20130733	23,229.26	21 November 2013
(2)	Sui Fang Yu (Wang) Zi Di No. 20130936	25,489.06	31 December 2013
<b>Total:</b>		<b>48,718.32</b>	

8. As advised by Merchants Property Development (Guangzhou), portions of the property with a total gross floor area of 22,339.35 sq.m. have been pre-sold to various purchasers at a total consideration of RMB429,796,244. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such portions.

9. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,817,000,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Merchants Property Development (Guangzhou) is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Merchants Property Development (Guangzhou) has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. Merchants Property Development (Guangzhou) has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permits from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Merchants Property Development (Guangzhou) has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals; and
- c. According to Merchants Property Development (Guangzhou)'s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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11. A summary of major certificates/approvals is shown as follows:
- |    |   |         |
|----|---|---------|
| a. | State-owned Land Use Rights Certificate                       | Yes     |
| b. | Construction Land Planning Permit                             | Yes     |
| c. | Construction Work Planning Permit                             | Yes     |
| d. | Construction Work Commencement Permit                         | Yes     |
| e. | Pre-sale Permit   | Portion |
| f. | Construction Work Completion and Inspection Certificate/Table | N/A     |
12. In valuing the property as if completed, we have adopted the assumed rate of RMB18,000 per sq.m. for the commercial portion, RMB16,000 per sq.m. for the office portion and RMB160,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of commercial premises range from RMB16,000 to RMB22,000 per sq.m. The prices of office premises range from RMB14,500 to RMB18,000 per sq.m. In respect of car parking spaces, the prices range from RMB150,000 to RMB170,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.



<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
6.	Phase VII of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a portion of a parcel of land with a site area of approximately 12,000 sq.m. and an residential development (known as Phase VII of Jinshan Valley) which was being constructed thereon as at the valuation date.</p> <p>The property is located at the southern side of Xinguang Avenue, the eastern side of Jinshan Avenue and the northern side of Shiguang Road in Panyu District of Guangzhou City. The subject area of the property is well-served by public transportation with 20 minutes' driving distance to the city centre and close to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment and commercial facilities with reasonable proximity to Dafushan Forest Park, Changlong Holiday Resort, Jinshan Lake Reservoir as well as Qixinggang Sports Park.</p>	The property was under construction as at the valuation date.	<p>184,000,000</p> <p>(100% interest attributable to the Target Group: RMB184,000,000)</p>

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
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The development of the property is scheduled to be completed in September 2015. Upon completion, the development will have a total gross floor area of approximately 59,735 sq.m. and the details are set out as below:

Usage	Planned Gross Floor Area <i>(sq.m.)</i>
Residential	45,363
Basement (inclusive of 301 car parking lots)	13,019
Ancillary	1,353
<b>Total:</b>	<b>59,735</b>

The total construction cost is estimated to be approximately RMB293,000,000, of which approximately RMB47,000,000 had been paid as at the valuation date.

The land use rights of the property have been granted for a term of 70 years expiring on 1 November 2075 for residential use.

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 23 December 2003 entered into between the State-owned Land Resources and Building Administration Bureau of Panyu District of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (land parcel No. G32-000249, including the land parcel of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	105,051.4 sq.m. (Land parcel No. G32-000249)
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤3.0
Land Premium	:	RMB94,492,524

2. Pursuant to an Alteration Agreement of State-owned Construction Land Use Rights Grant Contract — No.1 Alteration Agreement of Sui Pan Guo Di Chu He (2013) No. 022 dated 5 August 2013 entered into between Merchants Property Development (Guangzhou) and State-owned Land Resources and Housing Administration Bureau of Panyu District of Guangzhou City, the total site area of 4 parcels of land (land parcel Nos. G32-000249, G32-000250, G32-000251 and G32-000252, including the land parcel of this property) was adjusted to 720,345 sq.m. and the additional land premium for State-owned Land Use Rights Assignment is RMB32,292,207. As advised by Merchants Property Development (Guangzhou), the additional land premium has been fully settled.
3. Pursuant to a Construction Land Planning Permit — Sui Gui Di Zheng (2006) No. 1674, permission towards the planning of the aforesaid land parcel with a site area of approximately 108,240 sq.m. has been granted to Merchants Property Development (Guangzhou).
4. Pursuant to a State-owned Land Use Rights Certificate — No. G34-000696, the land use rights of a parcel of land with a site area of approximately 69,186.5 sq.m. (including the land parcel of this property) have been granted to Merchants Property Development (Guangzhou) for a term of 70 years expiring on 1 November 2075 for residential use.
5. Pursuant to a Construction Work Planning Permit — Sui Gui Jian Zheng (2014) No. 656 issued by the Urban Planning Bureau of Guangzhou City in favour of Merchants Property Development (Guangzhou), the construction works of Phase VII of Jinshan Valley with a total planned gross floor area of approximately 59,735 sq.m. have been approved.
6. Pursuant to a Construction Work Commencement Permit — No. 440126201405200101 issued by the Construction Bureau of Panyu District of Guangzhou City in favour of Merchants Property Development (Guangzhou), the commencement of the construction works of Phase VII of Jinshan Valley with a total gross floor area of approximately 59,735 sq.m. has been permitted.
7. Pursuant to a Pre-sale Permit — Sui Fang Yu (Wang) Zi Di No. 20140576, Merchants Property Development (Guangzhou) is entitled to sell portions of Phase VII of Jinshan Valley with a total gross floor area of approximately 45,333.61 sq.m. to purchasers.
8. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB693,000,000.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Merchants Property Development (Guangzhou) is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Merchants Property Development (Guangzhou) has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights;

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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- b. Merchants Property Development (Guangzhou) has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Merchants Property Development (Guangzhou) has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals; and
- c. According to Merchants Property Development (Guangzhou)'s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

11. In valuing the property as if completed, we have adopted the assumed rate of RMB14,000 per sq.m. for the residential portion and RMB160,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development within the same district. The prices of domestic premises range from RMB13,000 to RMB15,500 per sq.m. In respect of car parking spaces, the prices range from RMB150,000 to RMB170,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP**

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB												
7.	Phase II of Evian Tianhui under construction located near the Qiandenghu Park on Nanping Road Nanhai District Foshan City Guangdong Province The PRC	<p>The property comprises portions of 2 parcels of land with a total site area of approximately 32,432.88 sq.m., various residential, commercial buildings and car parking spaces which were being constructed thereon as at the valuation date.</p> <p>The property is located besides the Nanping Road, near Qiandenghu Park of Nanhai District in Foshan City and well-served by good facilities and convenient traffic, which is along the main roads and near a subway station, Qiandenghu Station. The surrounding environment is a residential area supported by retail stores and commercial buildings.</p> <p>The development is scheduled to be completed in September 2014. Upon completion, the development will have a total gross floor area of approximately 191,346.81 sq.m. and the details are set out as below:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">119,453.48</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">9,588.42</td> </tr> <tr> <td>Car parking space (1,596 lots)</td> <td style="text-align: right;">55,885.00</td> </tr> <tr> <td>Others</td> <td style="text-align: right;"><u>6,419.91</u></td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b><u>191,346.81</u></b></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Residential	119,453.48	Commercial	9,588.42	Car parking space (1,596 lots)	55,885.00	Others	<u>6,419.91</u>	<b>Total:</b>	<b><u>191,346.81</u></b>	<p>The property was under construction as at the valuation date.</p>	<p>1,629,000,000</p> <p>50% interest attributable to the Group: RMB814,500,000</p>
Usage	Planned Gross Floor Area (sq.m.)															
Residential	119,453.48															
Commercial	9,588.42															
Car parking space (1,596 lots)	55,885.00															
Others	<u>6,419.91</u>															
<b>Total:</b>	<b><u>191,346.81</u></b>															

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
		<p>The total construction cost is estimated to be approximately RMB790,000,000 of which RMB578,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for terms of 70 years expiring on 22 July 2080 for residential use and 40 years expiring on 22 July 2050 for commercial use, respectively.</p>		

*Notes:*

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts — Nos. 440605-2010-000145 and 440605-2010-000142 dated 6 August 2010 and 2 August 2010 respectively entered into among Foshan State-owned Land Resources Bureau, Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”) and Huidefeng Real Estate Guangzhou Company Limited (“Guangzhou Huidefeng”, an independent third party), the land use rights of 2 parcels of land (including the land parcels of this property and property no. 2) were contracted to be granted to Merchants Property Development (Guangzhou) and Guangzhou Huidefeng with the particulars as follows:

Site Area	:	56,101.70 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	4.0
Land Premium	:	RMB1,104,000,000

2. Pursuant to 2 Alteration Agreements of State-owned Construction Land Use Rights Grant Contract — Nos. 440605-2010-000145-Bu 01 and 440605-2010-000142-Bu 01 both dated 26 August 2010, the grantee names of the land use rights of the property mentioned in note 1 were changed to Foshan Yiyun Real Estate Company Limited (“Foshan Yiyun”, a 50% interest owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd. and Huidefeng Real Estate Guangzhou Company Limited.

3. Pursuant to 2 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels (including the land parcels of this property and property no. 2) has been granted to Foshan Yiyun. The details are set out as follows:

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	Di Zi Di No. 440605201100043	30,186.8	20 April 2011
(2)	Di Zi Di No. 440605201100044	25,914.9	20 April 2011
	<b>Total:</b>	<b>56,101.7</b>	

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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4. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of 2 parcels of land with a total site area of approximately 56,101.7 sq.m. (on which this property and property no. 2 are located) have been granted to Foshan Yiyun. The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	Fo Fu Nan Guo Yong 2011 Di No. 0107304	25,914.9	Residential: 22 July 2080 Commercial: 22 July 2050	Residential and Commercial
(2)	Fo Fu Nan Guo Yong 2011 Di No. 0107305	30,186.8	Residential: 22 July 2080 Commercial: 22 July 2050	Residential and Commercial
<b>Total:</b>		<b>56,101.7</b>		

5. Pursuant to 7 Construction Work Planning Permits issued by State-owned Land Urban Construction and Water Bureau of Nanhai District of Foshan City in favour of Foshan Yiyun, the construction works of Phase II of Evian Tianhui have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440605201101266	29,193.99	28 September 2011
(2)	440605201101267	26,898.53	28 September 2011
(3)	440605201101268	35,447.3	28 September 2011
(4)	440605201101269	8,570.53	28 September 2011
(5)	440605201101055	28,880.15	24 August 2011
(6)	440605201101056	54,161.51	24 August 2011
(7)	440605201101052	8,194.8	24 August 2011
<b>Total:</b>		<b>191,346.81</b>	

6. Pursuant to 7 Construction Work Commencement Permits issued by State-owned Land Urban Construction and Water Bureau of Nanhai District of Foshan City in favour of Foshan Yiyun, the commencement of the construction works of Phase II of Evian Tianhui has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440622201111250301	28,880.15	25 November 2011
(2)	440622201111250501	54,161.51	25 November 2011
(3)	440622201111250401	8,194.8	25 November 2011
(4)	440622201112020101	29,193.99	2 December 2011
(5)	440622201112020201	26,898.53	2 December 2011
(6)	440622201112020301	35,447.3	2 December 2011
(7)	440622201112020701	8,570.53	2 December 2011
<b>Total:</b>		<b>191,346.81</b>	

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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7. Pursuant to 6 Pre-sale Permits, Foshan Yiyun is entitled to sell Phase II of Evian Tianhui with a total gross floor area of approximately 129,037.84 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Nan Fang Yu Zi Di No. 2013008902	19,575.11	31 May 2013
(2)	Nan Fang Yu Zi Di No. 2012020302	25,866.73	22 May 2013
(3)	Nan Fang Yu Zi Di No. 2013003002	21,073.34	22 May 2013
(4)	Nan Fang Yu Zi Di No. 2013003202	18,932.56	22 May 2013
(5)	Nan Fang Yu Zi Di No. 2014010402	20,708.23	21 February 2014
(6)	Nan Fang Yu Zi Di No. 2013017302	22,881.87	11 September 2013
<b>Total:</b>		<b>129,037.84</b>	

8. As advised by Foshan Yiyun, portions of the property with a total gross floor area of 106,178.31 sq.m. have been pre-sold to various purchasers at a total consideration of RMB1,367,560,338. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such portions.

9. The capital value of the property, as if completed as at the valuation date under the development proposals as described above and which can be freely transferred in the market, would be RMB1,876,000,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Foshan Yiyun is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Yiyun has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. Foshan Yiyun has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Foshan Yiyun has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals; and
- c. According to Foshan Yiyun's written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	N/A



<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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12. In valuing the property as if completed, we have adopted the assumed rate of RMB10,000 to RMB13,000 per sq.m. for the residential portion, RMB18,000 per sq.m. for the commercial portion and RMB130,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of domestic car parking spaces range from RMB120,000 to RMB150,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

13. Subsequent to the valuation date, Foshan Yiyun had obtained 7 Construction Work Completion and Inspection Tables. Pursuant to these Construction Work Completion and Inspection Tables issued by State-owned Land Urban Construction and Water Bureau of Naihui District of Foshan City in favour of Foshan Yiyun, Phase II of Evian Tianhui has been approved to be complied with the urban and rural planning requirements. The details are set out as follows:

No.	Building	Construction Work Commencement Permit No.	Inspection date	Issuance date
(1)	Building No.4-5 of A18	440622201111250501	16 July 2014	17 July 2014
(2)	Building No.3 of A18	440622201111250301	16 July 2014	17 July 2014
(3)	Commercial building of A18	440622201111250401	16 July 2014	17 July 2014
(4)	Building No.1 of A21	440622201112020101	16 July 2014	17 July 2014
(5)	Building No.2 of A21	440622201112020201	16 July 2014	17 July 2014
(6)	Building No.3 of A21	440622201112020301	16 July 2014	17 July 2014
(7)	Commercial building of A21	440622201112020701	16 July 2014	17 July 2014

**APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP**

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB												
8.	China Merchants Central Landmark located at the western side of a planning road the eastern side of Guilan Road the northern side of a planning road and the southern side of Haiqi Road A27 Block of Guicheng Street Nanhai District Foshan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 29,487 sq.m. and an office building known as China Merchants Central Landmark which was being constructed thereon as at the valuation date.</p> <p>The property is located at the western side of a planning road, the eastern side of Guilan Road, the northern side of a planning road and the southern side of Haiqi Road. The transportation around is convenient and it enjoys adequate commercial facilities.</p> <p>The development is scheduled to be completed in October 2016. Upon completion, the development will have a total gross floor area of approximately 223,555.92 sq.m. and the details are set out as below:</p> <table border="0" style="margin-left: 40px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td style="text-align: right;">118,647.58</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">48,230.25</td> </tr> <tr> <td>Basement (inclusive of 1,391 car parking lots)</td> <td style="text-align: right;">50,602.05</td> </tr> <tr> <td>Others</td> <td style="text-align: right; border-bottom: 1px solid black;">6,076.04</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-bottom: 3px double black;"><b>223,555.92</b></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Office	118,647.58	Commercial	48,230.25	Basement (inclusive of 1,391 car parking lots)	50,602.05	Others	6,076.04	<b>Total:</b>	<b>223,555.92</b>	<p>The property was under construction as at the valuation date.</p>	<p>982,000,000</p> <p>51% interest attributable to the Group: RMB500,820,000</p>
Usage	Planned Gross Floor Area (sq.m.)															
Office	118,647.58															
Commercial	48,230.25															
Basement (inclusive of 1,391 car parking lots)	50,602.05															
Others	6,076.04															
<b>Total:</b>	<b>223,555.92</b>															
		<p>The total construction cost is estimated to be approximately RMB1,109,000,000, of which approximately RMB67,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for a term of 40 years expiring on 18 October 2052 for commercial use.</p>														

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440605-2012-000171 dated 19 October 2012 entered into between Foshan State-owned Land and Resources Bureau and Foshan Kai Da Cheng Investment and Development Co., Ltd. (“Foshan Kai Da Cheng”, a 51% interest owned subsidiary of Merchants Property Development (Guangzhou)), the land use rights of a parcel of land were contracted to be granted to Foshan Kai Da Cheng with the particulars as follows:

Site Area	:	29,487 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	≥4.0 and ≤5.5
Land Premium	:	RMB610,374,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 440605201340006, permission towards the planning of the aforesaid land parcel with a site area of approximately 29,487 sq.m. has been granted to Foshan Kai Da Cheng.
3. Pursuant to a State-owned Land Use Rights Certificate — Fo Fu Nan Guo Yong (2013) Di No. 0110126, the land use rights of a parcel of land with a site area of approximately 29,487 sq.m. have been granted to Foshan Kai Da Cheng for a term of 40 years expiring on 18 October 2052 for commercial use.
4. Pursuant to 4 Construction Work Planning Permits in favour of Foshan Kai Da Cheng, the construction works of an office building with a total gross floor area of approximately 223,555.92 sq.m. have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Jian Zi Di No. 440605201440074	92,715.16	28 January 2014
(2)	Jian Zi Di No. 440605201440075	42,359.30	28 January 2014
(3)	Jian Zi Di No. 440605201440076	57,429.00	28 January 2014
(4)	Jian Zi Di No. 440605201440077	31,052.46	28 January 2014
<b>Total:</b>		<b>223,555.92</b>	

5. Pursuant to a Construction Work Commencement Permit — No. 440622201403070101-00 in favour of Foshan Kai Da Cheng, the commencement of the construction works of a portion of the property with a gross floor area of approximately 31,052.46 sq.m. has been permitted.
6. The capital value of the property, as if completed as at the valuation date under the development proposals as described above and which can be freely transferred in the market, would be RMB2,709,000,000.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Foshan Kai Da Cheng is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Kai Da Cheng has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights;
  - b. For portion of the property mentioned in note 5, Foshan Kai Da Cheng has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permit from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Foshan Kai Da Cheng has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals;

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

- c. For portions of the property mentioned in note 10 which were in lack of Construction Work Commencement Permits as of the valuation date, there would be a risk that Foshan Kai Da Cheng may be fined and be ordered to rectify or suspend the relevant construction works; and
- d. According to Foshan Kai Da Cheng's written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.
8. A summary of major certificates/approvals is shown as follows:
- |    |   |         |
|----|---|---------|
| a. | State-owned Land Use Rights Certificate                       | Yes     |
| b. | Construction Land Planning Permit                             | Yes     |
| c. | Construction Work Planning Permit                             | Yes     |
| d. | Construction Work Commencement Permit                         | Portion |
| e. | Pre-sale Permit   | No      |
| f. | Construction Work Completion and Inspection Certificate/Table | N/A     |
9. In valuing the property as if completed, we have adopted the assumed rate of RMB12,000 to RMB15,000 per sq.m. for the office portion, RMB10,000 to RMB22,000 per sq.m. for the commercial portion and RMB150,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of office and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of office development with ancillary retail within the same district. The prices of domestic car parking spaces range from RMB120,000 to RMB150,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

10. Subsequent to the valuation date, Foshan Kai Da Cheng had obtained other 3 Construction Work Commencement Permits. Pursuant to these Construction Work Commencement Permits issued by the State-owned Land Urban Construction and Water Bureau of Naihai District of Foshan City in favour of Foshan Kai Da Cheng, the commencement of the construction works of the rest portion of the property has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440622201408050101-00	92,715.16	5 August 2014
(2)	440622201408050201-00	42,359.30	5 August 2014
(3)	440622201408050301-00	57,429.00	5 August 2014
	<b>Total:</b>	<b>192,503.46</b>	

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
9.	Park 1872 under construction located at the northern side of Shengping Road and the eastern side of Longpan West Road Desheng Business District Shunde New Town Shunde District Foshan City Guangdong Province The PRC	<p>The property comprises a residential development known as Park 1872 which was under construction as at the valuation date.</p> <p>The property is located at the western side of Xinrong Road, the southern side of Xingshun Road, the eastern side of Longpan West Road and the northern side of Shengping Road in Shunde District of Foshan City. The subject area of the property is well-served by public transportation and close to the city centre. The locality of the property is a newly-developed residential area served by good nature environment with reasonable proximity to Shunfengshan Park, Ronggui Waterway and Ronggui Magang Forest park.</p> <p>The property is designed to be developed by two phases. Phase I is scheduled to be completed in December 2015 and Phase II is scheduled to be completed in June 2016. Upon completion, the property will have a total gross floor area of approximately 303,131.99 sq.m. and the details are set out as below:</p>	The property was under construction as at the valuation date.	<p>1,642,000,000</p> <p>(100% interest attributable to the Group: RMB1,642,000,000)</p>

Usage	Planned Gross Floor Area (sq.m.)
Residential	202,417.49
Commercial	24,677.38
Basement (inclusive of 2,547 car parking lots)	70,349.47
Ancillary	5,687.65
<b>Total:</b>	<b><u>303,131.99</u></b>

The total construction cost is estimated to be approximately RMB1,173,000,000, of which RMB166,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for terms of 70 years expiring on 14 October 2083 for residential use and 40 years expiring on 14 October 2053 for commercial use, respectively.

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*Notes:*

- Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440606-2013-000497 dated 16 April 2013 entered into between the State-owned Land Urban Construction and Water Bureau of Shunde District of Foshan City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (including the land use rights of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	71,036.39 sq.m.
Land Use	:	Residential and Commercial service
Land Term	:	70 years for residential use and 40 years for commercial service use
Plot Ratio	:	≥1.0 and ≤3.2
Land Premium	:	RMB1,320,000,000

- Pursuant to an Alteration Agreement of State-owned Construction Land Use Rights Grant Contract — No. 440606-2013-000497-Bu 01 dated 4 June 2013, the grantee name of the land use rights of the property mentioned in note 1 was changed to Foshan Shunde Yi Yun De Sheng Property Development Co., Ltd. (“Foshan De Sheng”, a wholly-owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 440606201309417, permission towards the planning of the aforesaid land parcel with a site area of approximately 71,036.39 sq.m. has been granted to Foshan De Sheng.
- Pursuant to a State-owned Land Use Rights Certificate — Shun Fu Guo Yong (2014) Di No. 0102747, the land use rights of a parcel of land with a site area of approximately 71,036.39 sq.m. have been granted to Foshan De Sheng for terms of 70 years expiring on 14 October 2083 for residential use and 40 years expiring on 14 October 2053 for commercial use.
- Pursuant to 8 Construction Work Planning Permits in favour of Foshan De Sheng, the construction works of the property with a total gross floor area of approximately 303,131.99 sq.m. have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Jian Zi Di No. 440606201402599	2,000.10	14 February 2014
(2)	Jian Zi Di No. 440606201402601	2,000.10	14 February 2014
(3)	Jian Zi Di No. 440606201402604	5,687.65	14 February 2014
(4)	Jian Zi Di No. 440606201402610	136,061.14	14 February 2014
(5)	Jian Zi Di No. 440606201408200	63,626.31	13 June 2014
(6)	Jian Zi Di No. 440606201408205	42,604.58	13 June 2014
(7)	Jian Zi Di No. 440606201408211	47,889.05	13 June 2014
(8)	Jian Zi Di No. 440606201408213	3,263.06	13 June 2014
<b>Total:</b>		<b>303,131.99</b>	

- Pursuant to a Construction Work Commencement Permit — No. 440606201312110301 in favour of Foshan De Sheng, permission by the relevant local authority was given to commence the commencement of the construction works of the property with a total gross floor area of approximately 145,471.64 sq.m. has been permitted.

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7. Pursuant to 2 Pre-sale Permits — Shun Yu Xu Zi Nos. 2014010303 and 2014011103, Foshan De Sheng is entitled to sell portions of Park 1872 with a total gross floor area of approximately 3,958.53 sq.m. to purchasers. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Shun Yu Xu Zi No. 2014010303	1,970.57	4 July 2014
(2)	Shun Yu Xu Zi No. 2014011103	1,987.96	4 July 2014
<b>Total:</b>		<b>3,958.53</b>	

8. The capital value of the property, as if completed as at the valuation date under the development proposals as described above and which can be freely transferred in the market, would be RMB3,442,000,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Foshan De Sheng is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan De Sheng has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. Foshan De Sheng has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permit from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Foshan De Sheng has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals;
- c. Foshan De Sheng has the rights to pre-sell the property in accordance with the limits prescribed in the pre-sale permits mentioned above;
- d. For Phase II, Foshan De Sheng has the situation of start the construction works of Phase II without Construction Work Commencement Permit. According to the relevant law, Foshan De Sheng has the risk of being corrected or stopping the construction, and suffering a fine; and
- e. According to Foshan De Sheng's written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Portion
e.	Pre-sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

11. In valuing the property as if completed, we have adopted the assumed rate of RMB12,500 per sq.m. for the residential portion, RMB27,000 per sq.m. for the commercial portion and RMB200,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of domestic premises range from RMB11,000 to RMB14,000 per sq.m. The prices of commercial premises range from RMB20,000 to RMB40,000 per sq.m. In respect of car parking spaces, the prices range from RMB150,000 to RMB250,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.



**APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP**

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
10.	Phase I of Evian Mansion located at Dazheng Road Jiujiang Town Nanhai District Foshan City Guangdong Province The PRC	The property comprises a portion of a parcel of land with a site area of approximately 29,772.74 sq.m. and a residential and commercial development (known as Phase I of the Evian Mansion) which was being constructed thereon as at the valuation date.	The property was under construction as at the valuation date.	257,000,000  (55% interest attributable to the Target Group: RMB141,350,000)

The property is located at the northeastern side of Dazheng Road in the center of Jiujiang Town of Nanhai District of Foshan City. The subject area of the property is well-served by a few buses and taxies with 40 minutes' driving distance to the city center.

The development of the property is scheduled to be completed in March 2016. Upon completion, the development will have a total gross floor area of approximately 123,938.14 sq.m. and the details are set out as below:

Usage	Planned Gross Floor Area (sq.m.)
Residential	94,273.71
Commercial	5,457.98
Basement (inclusive of 613 car parking lots)	20,596.24
Ancillary	3,610.21
<b>Total:</b>	<b><u>123,938.14</u></b>

The total construction cost is estimated to be approximately RMB379,000,000, of which approximately RMB40,000,000 had been paid as at the valuation date.

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
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The land use rights of the property have been granted for terms of 70 years expiring on 14 November 2083 for residential use and 40 years expiring on 14 November 2053 for accommodation, food and beverage use and wholesale and retail use, respectively.

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440605-2013-000171 dated 15 November 2013 entered into between State-owned Land Resources and Urban and Rural Planning Bureau of Foshan City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (including the land parcel of this property), were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	68,071.9 sq.m.
Land Use	:	Residential, Accommodation, Food and Beverage and Wholesale and Retail
Land Term	:	70 years for residential use and 40 years for accommodation, food and beverage use and wholesale and retail use
Plot Ratio	:	≥2.0 and ≤3.5
Land Premium	:	RMB357,400,000

2. Pursuant to a Supplemental Agreement of State-owned Construction Land Use Rights Grant Contract — No. 440605-2013-000171-Bu 01 dated 9 December 2013, the grantee name of the land use rights of the property mentioned in note 1 was changed to Foshan Yi Yun Zhen Yuan Property Development Co., Ltd. (“Foshan Zhen Yuan”, a 55% interest owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd.
3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 440605201480003, permission towards the planning of the aforesaid land parcel with a site area of approximately 68,071.9 sq.m. has been granted to Foshan Zhen Yuan.
4. Pursuant to a State-owned Land Use Rights Certificate — Fo Fu Nan Guo Yong (2014) Di No. 0300060, the land use rights of a parcel of land with a site area of approximately 68,071.9 sq.m. (including the land parcel of this property) have been granted to Foshan Zhen Yuan for terms of 70 years expiring on 14 November 2083 for residential use and 40 years expiring on 14 November 2053 for accommodation, food and beverage use and wholesale and retail use.

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5. Pursuant to 8 Construction Work Planning Permits in favour of Foshan Zhen Yuan, the construction works of the property with a total gross floor area of approximately 123,938.14 sq.m. have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Jian Zi Di No. 440605201480187	1,720.23	30 May 2014
(2)	Jian Zi Di No. 440605201480180	16,562.00	30 May 2014
(3)	Jian Zi Di No. 440605201480181	20,226.37	30 May 2014
(4)	Jian Zi Di No. 440605201480182	19,166.21	30 May 2014
(5)	Jian Zi Di No. 440605201480183	18,283.52	30 May 2014
(6)	Jian Zi Di No. 440605201480184	15,507.27	30 May 2014
(7)	Jian Zi Di No. 440605201480185	15,559.05	30 May 2014
(8)	Jian Zi Di No. 440605201480186	16,913.49	30 May 2014
<b>Total:</b>		<b>123,938.14</b>	

6. Pursuant to 8 Construction Work Commencement Permits issued by Foshan Nanhai State-owned Land Building and Water Bureau in favour of Foshan Zhen Yuan, the commencement of the construction works of Phase I of Evian Mansion has been permitted. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	440622201406250701-00	16,562.00	25 June 2014
(2)	440622201406250601-00	20,226.37	25 June 2014
(3)	440622201406250801-00	19,166.21	25 June 2014
(4)	440622201406250501-00	18,283.52	25 June 2014
(5)	440622201406250401-00	15,507.27	25 June 2014
(6)	440622201406250301-00	15,559.05	25 June 2014
(7)	440622201406250201-00	16,913.49	25 June 2014
(8)	440622201406250101-00	1,720.23	25 June 2014
<b>Total:</b>		<b>123,938.14</b>	

7. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB854,000,000.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Foshan Zhen Yuan is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Zhen Yuan has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights;
- b. Foshan Zhen Yuan has obtained the relevant Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permits from the relevant authorities. Such permits and approvals are valid without being revoked, amended or terminated. Foshan Zhen Yuan has the rights to start the construction works of the property in accordance with the aforesaid permits and approvals; and
- c. According to Foshan Zhen Yuan's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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9. A summary of major certificates/approvals is shown as follows:
- |    |   |     |
|----|---|-----|
| a. | State-owned Land Use Rights Certificate                       | Yes |
| b. | Construction Land Planning Permit                             | Yes |
| c. | Construction Work Planning Permit                             | Yes |
| d. | Construction Work Commencement Permit                         | Yes |
| e. | Pre-sale Permit   | No  |
| f. | Construction Work Completion and Inspection Certificate/Table | N/A |
10. In valuing the property as if completed, we have adopted the assumed rate of RMB7,000 per sq.m. for the residential portion, RMB21,000 per sq.m. for the commercial portion and RMB130,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of residential premises range from RMB6,000 to RMB8,000 per sq.m. The prices of retail premises range from RMB20,000 to RMB25,000 per sq.m. In respect of car parking spaces, the prices range from RMB120,000 to RMB150,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**VALUATION CERTIFICATE**

**Group IV — Property interests held for future development by the Target Group in the PRC**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
11.	The reserved land for the remaining phases of Jinshan Valley located at Fei E Ling of Zhongcun Town Shatou Street Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises the whole of 2 parcels of land and the remaining portions of 3 parcels of land (together as the "Reserved Land") with a total site area of approximately 346,667.9 sq.m. which is planned to be developed into a composite development.</p> <p>As advised by the Target Group, the Reserved Land is for the development of Phases V, VI and IX of Jinshan Valley and Phases II and III of the Creative Park of Jinshan Valley.</p> <p>The property is located at the southern side of Xinguang Avenue, the eastern side of Jinshan Avenue and the northern side of Shiguang Road in Panyu District of Guangzhou City. The subject area of the property is well-served by public transportation with 20 minutes' driving distance to the city centre and close to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment and commercial facilities with reasonable proximity to Dafushan Forest Park, Changlong Holiday Resort, Jinshan Lake Reservoir as well as Qixinggang Sports Park.</p>	The property was vacant as at the valuation date.	<p style="text-align: right;">1,514,000,000</p> <p style="text-align: right;">(100% interest attributable to the Target Group: RMB1,514,000,000)</p>

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<b>No.</b>	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Capital value in existing state as at 30 June 2014</b> <i>RMB</i>
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As advised by the Target Group, the development of the property is planned to be commenced in June 2014 and completed in July 2016 in phases. Upon completion, the development will have a total gross floor area of approximately 627,368 sq.m. and the details are set out as below:

<b>Usage</b>	<b>Planned Gross Floor Area (sq.m.)</b>
Residential	198,695
Commercial	7,443
Office	131,496
SOHO apartment	84,626
Hotel	25,064
Basement (inclusive of 3,834 car parking lots)	172,729
Ancillary	7,315
<b>Total:</b>	<b>627,368</b>

The land use rights of the property have been granted for terms of 70 years expiring on 1 November 2075 for residential and commercial uses, 70 years expiring on 1 November 2075 for residential use and 40 years expiring on 20 December 2045 and 20 April 2046 for commercial service use, respectively.

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

1. Pursuant to 5 State-owned Land Use Rights Grant Contracts all dated 23 December 2003 entered into between the State-owned Land Resources and Building Administration Bureau of Panyu District of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of 5 parcels of land (land parcel Nos. G32-000249, G32-000268, G32-000283, G32-000251 and G32-000252, including the land parcel of this property) were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

**Land parcel No. G32-000249**

Site Area	:	105,051.4 sq.m.
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤3.0
Land Premium	:	RMB94,492,524

**Land parcel No. G32-000268**

Site Area	:	13,447.6 sq.m.
Land Use	:	Commercial service
Land Term	:	40 years for commercial service use
Plot Ratio	:	≤1.0
Land Premium	:	RMB12,095,962

**Land parcel No. G32-000283**

Site Area	:	37,380 sq.m.
Land Use	:	Commercial service
Land Term	:	40 years for commercial service use
Plot Ratio	:	≤1.0
Land Premium	:	RMB33,622,970

**Land parcel No. G32-000251**

Site Area	:	276,036 sq.m.
Land Use	:	Commercial service
Land Term	:	40 years for commercial service use
Plot Ratio	:	≤1.0
Land Premium	:	RMB248,291,293

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

### Land parcel No. G32-000252

Site Area	:	259,760.7 sq.m.
Land Use	:	Residential
Land Term	:	70 years for residential use
Plot Ratio	:	≤0.83
Land Premium	:	RMB233,651,758

2. Pursuant to an Alteration Agreement of State-owned Construction Land Use Rights Grant Contract — No.1 Alteration Agreement of Sui Pan Guo Di Chu He (2013) No. 022 dated 5 August 2013 entered into between Merchants Property Development (Guangzhou) and State-owned Land Resources and Housing Administration Bureau of Panyu District of Guangzhou City, the total site area of 4 parcels of land (land parcel Nos. G32-000249, G32-000250, G32-000251 and G32-000252, including the land parcel of this property) was adjusted to 720,345 sq.m. and the additional land premium for State-owned Land Use Rights Assignment is RMB32,292,207. As advised by Merchants Property Development (Guangzhou), the additional land premium has been fully settled.

3. Pursuant to 3 Construction Land Planning Permits, permission towards the planning of the aforesaid land parcels has been granted to Merchants Property Development (Guangzhou). The details are set out as follows:

No.	Permit No.	Site Area (sq.m.)	Issuance date
(1)	Sui Gui Di Zheng (2006) No. 1673	262,932	20 December 2006
(2)	Sui Gui Di Zheng (2006) No. 1674	108,240	20 December 2006
(3)	Sui Gui Di Zheng (2010) No. 107	384,224	9 June 2010
<b>Total:</b>		<b>755,396</b>	

4. Pursuant to 5 State-owned Land Use Rights Certificates, the land use rights of 5 parcels of land with a total site area of approximately 679,766.6 sq.m. (on which the property is located) have been granted to Merchants Property Development (Guangzhou). The details are set out as follows:

No.	LURC No.	Site Area (sq.m.)	Expiry Date	Usage
(1)	No. G34-000696	69,186.5	1 November 2075	Residential
(2)	No. G32-000268	13,447.6	20 December 2045	Commercial service
(3)	No. G32-000283	37,380	20 April 2046	Commercial service
(4)	No. G34-000695	299,991.8	1 November 2045	Commercial service
(5)	No. G32-000252	259,760.7	1 November 2075	Residential and commercial
<b>Total:</b>		<b>679,766.6</b>		



## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

5. Pursuant to a Land Compensation Agreement dated 22 August 2012, entered into between Guangzhou Province Panyu District Land Development Centre (“the Centre”) and Merchants Property Development (Guangzhou), the Centre resumed portions of 2 parcels of land with State-owned Land Use Rights Certificates Nos. G32-000268 (“Land Parcel 1”) and G32-000283 (“Land Parcel 2”) respectively. The area to be resumed of the former land is 16,567 sq.m. and that of the latter one is 13,447 sq.m. which makes it a total of 30,014 sq.m. According to Sui Gui Di Zheng (2010) Di No. 107, the plot ratio of these land parcels is 1 and the respective gross floor area for development is 30,014 sq.m. The gross floor area is allocated to the land with State-owned Land Use Rights Certificate No. G32-000251 (“Land Parcel 3”) of which original gross floor area of 20,813 sq.m. is exchanged to Land Parcel 2. The total compensation for the resumption is RMB3,081,237. The Centre would pay RMB1,000,000 to Merchants Property Development (Guangzhou) within 15 working days from the signing of the agreement. Merchants Property Development (Guangzhou) would carry out the transfer procedure within 20 working days from the signing of the agreement. The Centre would pay the remaining RMB2,081,237 to Merchants Property Development (Guangzhou) after the transfer the confirmation letter is signed and Merchants Property Development (Guangzhou) has completed the cancellation of the registration of the State-owned Land Use Rights Certificates of Land Parcels 1 and 2.
  
6. After verification, the Centre has paid the RMB1,000,000 to Merchants Property Development (Guangzhou) on 11 April 2013. However, Merchants Property Development (Guangzhou) has not yet to apply for the transfer.
  
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Merchants Property Development (Guangzhou) is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contracts are legal and valid and the land premiums have been paid. Merchants Property Development (Guangzhou) has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificates, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights; and
  
  - b. According to Merchants Property Development (Guangzhou)’s written confirmation, the property is neither subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property nor subject to any restrictions arising from any sequestration, mortgage or any other third party’s rights.
  
8. A summary of major certificates/approvals is shown as follows:
 

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A
  
9. In undertaking our valuation of the property, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables for residential use or residential and commercial uses range from RMB2,000 to RMB2,500 per sq.m and the accommodation value of land comparables for commercial service use range from RMB3,000 to RMB3,800 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>												
12.	Phases II and III of Evian Mansion located at Dazheng Road Jiujiang Town Nanhai District Foshan City Guangdong Province The PRC	<p>The property comprises a portion of a parcel of land with a site area of approximately 38,299.16 sq.m. which is planned to be developed into a residential and commercial development.</p> <p>As advised by the Target Group, the portion of a parcel of land is for the development of Phases II and III of Evian Mansion.</p> <p>The property is located at the northeastern side of Dazheng Road in the center of Jiujiang Town of Nanhai District of Foshan City. The subject area of the property is well-served by a few buses and taxis with 40 minutes' driving distance to the city center.</p> <p>As advised by the Target Group, the development of the property is planned to be commenced in December 2014 (relevant preliminary preparation works have been commenced as at the valuation date) and completed in October 2017 in phases. Upon completion, the development will have a total gross floor area of approximately 189,650.56 sq.m. and the details are set out as below:</p> <table border="0" style="margin-left: 20px; width: 80%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area <i>(sq.m.)</i></th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">130,256.55</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">7,842.64</td> </tr> <tr> <td>Basement (inclusive of 1,502 car parking lots)</td> <td style="text-align: right;">48,032.63</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right; border-top: 1px solid black;">3,518.74</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-top: 3px double black;"><b>189,650.56</b></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area <i>(sq.m.)</i>	Residential	130,256.55	Commercial	7,842.64	Basement (inclusive of 1,502 car parking lots)	48,032.63	Ancillary	3,518.74	<b>Total:</b>	<b>189,650.56</b>	<p>The property was vacant as at the valuation date.</p>	<p>211,000,000</p> <p>(55% interest attributable to the Target Group: RMB116,050,000)</p>
Usage	Planned Gross Floor Area <i>(sq.m.)</i>															
Residential	130,256.55															
Commercial	7,842.64															
Basement (inclusive of 1,502 car parking lots)	48,032.63															
Ancillary	3,518.74															
<b>Total:</b>	<b>189,650.56</b>															

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
		The land use rights of the property have been granted for terms of 70 years expiring on 14 November 2083 for residential use and 40 years expiring on 14 November 2053 for accommodation, food and beverage use and wholesale and retail use, respectively.		

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440605-2013-000171 dated 15 November 2013 entered into between State-owned Land Resources and Urban and Rural Planning Bureau of Foshan City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of a parcel of land (including the land parcel of this property), were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	68,071.9 sq.m.
Land Use	:	Residential, Accommodation, Food and Beverage and Wholesale and Retail
Land Term	:	70 years for residential use and 40 years for accommodation, food and beverage use and wholesale and retail use
Plot Ratio	:	≥2.0 and ≤3.5
Land Premium	:	RMB357,400,000
  
2. Pursuant to a Supplemental Agreement of State-owned Construction Land Use Rights Grant Contract — No. 440605-2013-000171-Bu 01 dated 9 December 2013, the grantee name of the land use rights of the property mentioned in note 1 was changed to Foshan Yi Yun Zhen Yuan Property Development Co., Ltd. (“Foshan Zhen Yuan”, a 55% interest owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd.
  
3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 440605201480003, permission towards the planning of the aforesaid and parcel with a site area of approximately 68,071.9 sq.m. has been granted to Foshan Zhen Yuan.
  
4. Pursuant to a State-owned Land Use Rights Certificate — Fo Fu Nan Guo Yong (2014) Di No. 0300060, the land use rights of a parcel of land with a site area of approximately 68,071.9 sq.m. (including the land parcel of this property) have been granted to Foshan Zhen Yuan for terms of 70 years expiring on 14 November 2083 for residential use and 40 years expiring on 14 November 2053 for accommodation, food and beverage use and wholesale and retail use.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. Foshan Zhen Yuan is the legal user of the land use rights of the property. The aforesaid State-owned Land Use Rights Grant Contract is legal and valid and the land premiums have been paid. Foshan Zhen Yuan has the rights to occupy, use, lease or otherwise transfer the land use rights of the property in compliance with the laws. According to the Land Use Rights Certificate, the land use rights of the property are not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights; and
  - b. According to Foshan Zhen Yuan's written confirmation, the property is not subject to any restrictions arising from any sequestration, mortgage or any other third party's rights.
  
6. A summary of major certificates/approvals is shown as follows:
 

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A
  
7. In undertaking our valuation of the property, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables for residential and commercial uses range from RMB1,200 to RMB2,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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**VALUATION CERTIFICATE**

**Group V — Property interests contracted to be acquired by the Target Group in the PRC**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
13.	A parcel of land located at Wanbo Business Zone Nancun Town Panyu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 17,779 sq.m., which is planned to be developed into a commercial development.</p> <p>The property is located at the southern side of Xingnan Road in Wanbo Business Zone which is planned to become the modern information service industry headquarters in Panyu District. Being close to Changlong Holiday Resort, this district is well-served by public transportation and large green area.</p> <p>As advised by the Target Group, the land development schedule is still under planning.</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses from 18 June 2014.</p>	The property was vacant as at the valuation date.	No commercial value

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440113-2014-000001 dated 28 January 2014 entered into between the State-owned Land Resources and Housing Administration Bureau of Guangzhou City and Merchants Property Development (Guangzhou) Ltd. (“Merchants Property Development (Guangzhou)”), the land use rights of the property were contracted to be granted to Merchants Property Development (Guangzhou) with the particulars as follows:

Site Area	:	17,779 sq.m.
Land Use	:	Residential, Commercial, Tourism, Entertainment and others
Land Term	:	70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses
Plot Ratio	:	≤5.7
Gross Floor Area	:	≤100,495
Land Premium	:	RMB1,460,000,000

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

2. Pursuant to an Alteration Agreement of State-owned Construction Land Use Rights Grant Contract — No. 1 Alteration Agreement of No. 440113-2014-000001 dated 2 April 2014, the grantee name of the land use rights of the property mentioned in note 1 was changed to Guangzhou Yi Yun Property Development Co., Ltd. (“Guangzhou Yi Yun”, a wholly-owned subsidiary of Merchants Property Development (Guangzhou)) from Merchants Property Development (Guangzhou) Ltd.
3. Pursuant to a Construction Land Planning Permit — Sui Gui Di Zheng (2014) No. 174, permission towards the planning of the property with a site area of approximately 17,779 sq.m. has been granted to Guangzhou Yi Yun.
4. As at the valuation date, the property was not assigned to Guangzhou Yi Yun and thus the title of the property was not vested in Guangzhou Yi Yun. Besides, the relevant land use rights certificate has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB1,506,000,000, assuming the relevant title certificates have been fully obtained by Guangzhou Yi Yun and the property could be freely transferred.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that the aforesaid State-owned Land Use Rights Grant Contract is legal, valid, unrevoked or without terminated.
6. A summary of major certificates/approvals is shown as follows:
 

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	No
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A
7. In undertaking our valuation of the property for reference purpose, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables we gathered range from RMB14,200 to RMB18,700 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.
8. Subsequent to the valuation date, Guangzhou Yi Yun had obtained a State-owned Land Use Rights Certificate — No. G05-000630. Pursuant to this State-owned Land Use Rights Certificate, the land use rights of the property with a site area of approximately 17,779 sq.m. have been granted to Guangzhou Yi Yun for terms of 70 years expiring on 18 June 2084 for residential use, 40 years expiring on 18 June 2054 for commercial, tourism and entertainment uses and 50 years expiring on 18 June 2064 for other uses.

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>
14.	A parcel of land and buildings under construction located at the northern side of Jihua Bridge and the western side of Dongping River Nanzhuang Town Chancheng District Foshan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 59,363.37 sq.m. and a residential and commercial development (known as Evian King Bay) which was being constructed thereon as at the valuation date.</p> <p>The property is located at the northern side of Jihua Bridge and the western side of Dongping River in Chanxi New City which is the administrative service center in Chancheng District of Foshan City and is planned to become the finance office industrial zone in Chancheng District of Foshan City in future. The subject area of the property is served by buses and taxies with 20 minutes' driving distance to the city center and 30 minutes' driving distance to Guangzhou South Railway Station. The locality of the property is a newly-developed residential area served by a good natural environment with reasonable proximity to Green Island Lake.</p>	The property was under construction as at the valuation date.	No commercial value

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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<b>No.</b>	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Capital value in existing state as at 30 June 2014</b> <i>RMB</i>
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The development of the property is scheduled to be completed in March 2017. Upon completion, the development will have a total planned gross floor area of approximately 233,851.57 sq.m. and the details are set out as below:

<b>Usage</b>	<b>Planned Gross Floor Area (sq.m.)</b>
Residential	159,187.40
Commercial	7,540.98
Basement (inclusive of 1,365 car parking lots)	65,407.19
Ancillary	1,716.00
<b>Total:</b>	<b>233,851.57</b>

The total construction cost is estimated to be approximately RMB948,000,000, of which approximately RMB29,000,000 had been paid as at the valuation date.

The land use rights of the property have been granted for terms of 40 years for commercial use and 70 years for residential use, respectively.



## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

*Notes:*

- Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 440601-2013-100066 dated 14 November 2013 entered into between the State-owned Land Resources and Urban and Rural Planning Bureau of Foshan City and Foshan Yi Yun Property Development Co., Ltd. (“Foshan Yi Yun”, a 50% interest owned subsidiary of Merchants Property Development (Guangzhou) Ltd.), the land use rights of a parcel of land were contracted to be granted to Foshan Yi Yun with the particulars as follows:

Site Area	:	59,363.37 sq.m.
Land Use	:	Commercial and Residential
Land Term	:	40 years for commercial use and 70 years for residential use
Plot Ratio	:	≤2.5
Gross Floor Area	:	≤237,818
Land Premium	:	RMB920,260,000

- Pursuant to a Supplemental Agreement of State-owned Construction Land Use Rights Grant Contract — No. 40601-2013-100066-Bu 01 dated 13 December 2013, the grantee name of the land use rights of the property mentioned in note 1 was changed to Foshan Yi Yun Shang Yuan Property Development Co., Ltd. (“Foshan Shang Yuan”, a 50% interest owned subsidiary of Merchants Property Development (Guangzhou)) from Foshan Yi Yun Property Development Co., Ltd.
- According to a Certification regarding to the land parcel of the property mentioned in note 1 — Chan Jian Han (2014) No. 184 dated 7 February 2014 issued by the State-owned Land Urban Construction and Water Bureau of Chancheng District of Foshan City, Foshan Shang Yuan has fully settled the the down payment of the land premium and has been approved to apply for the Construction Land Planning Permit, Construction Work Planning Permits and Construction Work Commencement Permits.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 440604201400013, permission towards the planning of the aforesaid land parcel with a site area of approximately 59,363.37 sq.m. has been granted to Foshan Shang Yuan.
- Pursuant to 3 Construction Work Planning Permits in favour of Foshan Shang Yuan, the construction works of the property with a total gross floor area of approximately 120,499.57 sq.m. have been approved. The details are set out as follows:

No.	Permit No.	Gross Floor Area (sq.m.)	Issuance date
(1)	Jian Zi Di No. 440604201400185	2,218.35	4 June 2014
(2)	Jian Zi Di No. 440604201400198	52,180.7	16 June 2014
(3)	Jian Zi Di No. 440604201400196	66,100.52	17 June 2014
<b>Total:</b>		<b>120,499.57</b>	

- As at the valuation date, the property was not assigned to Foshan Shang Yuan and thus the title of the property was not vested in Foshan Shang Yuan and the relevant land use rights certificate has not been obtained. Besides, the buildings under construction of the property have not obtained any Construction Work Commencement Permits. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB1,012,000,000, assuming the relevant land use rights certificate and Construction Work Commencement Permits have been fully obtained by Foshan Shang Yuan and the property could be freely transferred.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. The aforesaid State-owned Construction Land Use Rights Grant Contract is legal and valid; and
  - b. Due to the lack of the State-owned Land Use Rights Certificate and Construction Work Commencement Permit of the property, Foshan Shang Yuan cannot be under the valid protection of the PRC laws. There would be a risk that Foshan Shang Yuan may be ordered to suspend the construction works of the property and rectify within a specific time limit and will be fined at an amount of above 5 percent and below 10 percent of the construction cost of the property; otherwise if corrective measures cannot be taken to eliminate the influence of the property, the relevant authority can demand for demolition of the property within specific time limit.
8. A summary of major certificates/approvals is shown as follows:
- |    |   |     |
|----|---|-----|
| a. | State-owned Construction Land Use Rights Grant Contract       | Yes |
| b. | State-owned Land Use Rights Certificate                       | No  |
| c. | Construction Land Planning Permit                             | Yes |
| d. | Construction Work Planning Permit                             | Yes |
| e. | Construction Work Commencement Permit                         | No  |
| f. | Pre-sale Permit   | N/A |
| g. | Construction Work Completion and Inspection Certificate/Table | N/A |
9. In undertaking our valuation of the property for reference purpose, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables range from RMB5,200 to RMB8,800 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 <i>RMB</i>														
15.	Phase I of Chongqing Evian Bay under construction located at the eastern side of Babin Road and the northern side of Inner Ring Expressway Banan District Chongqing The PRC	<p>The property comprises a parcel of land with a site area of approximately 101,906.34 sq.m. and Phase I of a residential and commercial development (known as Chongqing Evian Bay) which was being constructed thereon as at the valuation date.</p> <p>The property is located at the eastern side of Babin Road and the northern side of Inner Ring Expressway. The subject area of the property is well-served by public transportation and the locality enjoys an open river view.</p> <p>As advised by the Target Group, the property is scheduled to be completed in October 2015. Upon completion, the property will have a total gross floor area of approximately 167,005.78 sq.m. and the details are set out as below:</p> <table style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area <i>(sq.m.)</i></th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">58,834.22</td> </tr> <tr> <td>Villa</td> <td style="text-align: right;">32,670.12</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">16,338.24</td> </tr> <tr> <td>Basement (inclusive of 1,035 car parking lots)</td> <td style="text-align: right; vertical-align: bottom;">53,877.83</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right; border-top: 1px solid black;">5,285.37</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-top: 3px double black;"><b>167,005.78</b></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area <i>(sq.m.)</i>	Residential	58,834.22	Villa	32,670.12	Commercial	16,338.24	Basement (inclusive of 1,035 car parking lots)	53,877.83	Ancillary	5,285.37	<b>Total:</b>	<b>167,005.78</b>	The property was under construction as at the valuation date.	No commercial value
Usage	Planned Gross Floor Area <i>(sq.m.)</i>																	
Residential	58,834.22																	
Villa	32,670.12																	
Commercial	16,338.24																	
Basement (inclusive of 1,035 car parking lots)	53,877.83																	
Ancillary	5,285.37																	
<b>Total:</b>	<b>167,005.78</b>																	

<b>APPENDIX V</b>	<b>PROPERTY VALUATION OF THE TARGET GROUP</b>
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No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
		<p>As advised by the Target Group, the total construction cost is estimated to be approximately RMB747,000,000, of which RMB10,000,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for terms of 50 years for residential use and 40 years for commercial use, respectively.</p>		

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract dated 18 September 2013 entered into between Chongqing State-owned Land Resources and Building Administration Bureau and Chongqing Merchants Yi Yun Real Estate Co., Ltd. ("Chongqing Yi Yun", a wholly-owned subsidiary of Merchants Property Development (Guangzhou)), the land use rights of 3 parcels of land (including the land parcels of this property and property no. 16) were contracted to be granted to Chongqing Yi Yun with particulars as follows:
 

Site Area	:	202,916 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	50 years for residential use and 40 years for commercial use
Plot Ratio	:	≤1.91
Land Premium	:	RMB1,090,000,000
  
2. Pursuant to a Construction Land Planning Permit — Di Zi No. 500113201300054, permission towards the planning of the aforesaid land parcels (including the land parcels of this property and property no. 16) with a total site area of approximately 202,916 sq.m. has been granted to Chongqing Yi Yun.
  
3. We have not been provided with any Construction Work Planning Permit and Construction Work Commencement Permit in respect of the construction works of the property as at the valuation date.
  
4. As at the valuation date, the property has not obtained any Construction Work Planning Permit and Construction Work Commencement Permit. Besides, the relevant land use rights certificate has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB348,000,000, assuming the relevant title certificates of the property have been fully obtained by Chongqing Yi Yun and the property could be freely transferred.
  
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. The aforesaid State-owned Construction Land Use Rights Grant Contract is legal and valid; and
  - b. Due to the lack of the State-owned Land Use Rights Certificate, Construction Work Planning Permit and Construction Work Commencement Permit of the property, Chongqing Yi Yun cannot be under the valid protection of the PRC laws. There would be a risk that Chongqing Yi Yun may be ordered to suspend the construction works of the property and rectify within a specific time limit and will be fined at an amount of above 5 percent and below 10 percent of the construction cost of the property; otherwise if corrective measures cannot be taken to eliminate the influence of the property, the relevant authority can demand for demolition of the property within specific time limit.

<b>APPENDIX V      PROPERTY VALUATION OF THE TARGET GROUP</b>
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6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	No
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

7. In valuing the property as if completed for reference purpose, we have adopted the assumed rate of RMB7,000 per sq.m. for the residential portion, RMB11,000 per sq.m. for the villa portion, RMB22,500 per sq.m. for commercial portion, and RMB150,000 per lot for the car parking spaces portion.

In undertaking our valuation of the property as if completed, we have made reference to various recent sales prices of residential and commercial premises as well as car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered the comparables of the similar type of residential development with ancillary retail within the same district. The prices of residential premises range from RMB5,500 to RMB6,250 per sq.m. The prices of villa premises range from RMB9,400 to RMB12,106 per sq.m. The prices of retail premises range from RMB20,000 to RMB30,000 per sq.m. In respect of car parking spaces, the prices range from RMB120,000 to RMB180,000 per lot. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect these factors including but not limited to age, location, size and quality in arriving at the key assumption.

**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2014 RMB
16.	Phases II and III of Evian Bay located at the eastern side of Babin Road and the northern side of Inner Ring Expressway Banan District Chongqing The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 101,009.66 sq.m.</p> <p>The property is located at the eastern side of Babin Road and the northern side of Inner Ring Expressway. The subject area of the property is well-served by public transportation and the locality enjoys an open river view.</p> <p>As advised by the Target Group, the property is the reserved land of a residential and commercial development known as Chongqing Evian Bay. The total planned gross floor area of the property is approximately 365,240.35 sq.m.</p> <p>The land use rights of the property have been granted for terms of 50 years for residential use and 40 years for commercial use, respectively.</p>	The property was vacant as at valuation date.	No commercial value

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract dated 18 September 2013 entered into between Chongqing State-owned Land Resources and Building Administration Bureau and Chongqing Merchants Yi Yun Real Estate Co., Ltd. ("Chongqing Yi Yun", a wholly-owned subsidiary of Merchants Property Development (Guangzhou)), the land use rights of 3 parcels of land (including the land parcels of this property and property no. 15) were contracted to be granted to Chongqing Yi Yun with particulars as follows:

Site Area	:	202,916 sq.m.
Land Use	:	Residential and Commercial
Land Term	:	50 years for residential use and 40 years for commercial use
Plot Ratio	:	≤1.91
Land Premium	:	RMB1,090,000,000
  
2. Pursuant to a Construction Land Planning Permit — Di Zi No. 500113201300054, permission towards the planning of the aforesaid land parcels (including the land parcels of this property and property no. 15) with a total site area of approximately 202,916 sq.m. has been granted to Chongqing Yi Yun.
  
3. As at the valuation date, the property was not assigned to Chongqing Yi Yun and thus the title of the property was not vested in Chongqing Yi Yun. Besides, the relevant land use rights certificate has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB815,000,000, assuming the relevant title certificates of the property have been fully obtained by Chongqing Yi Yun and the property could be freely transferred.

## APPENDIX V PROPERTY VALUATION OF THE TARGET GROUP

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the aforesaid State-owned Construction Land Use Rights Grant Contract is legal and valid.
5. A summary of major certificates/approvals is shown as follows:
- |    |   |     |
|----|---|-----|
| a. | State-owned Construction Land Use Rights Grant Contract       | Yes |
| b. | State-owned Land Use Rights Certificate                       | No  |
| c. | Construction Land Planning Permit                             | Yes |
| d. | Construction Work Planning Permit                             | N/A |
| e. | Construction Work Commencement Permit                         | N/A |
| f. | Pre-sale Permit   | N/A |
| g. | Construction Work Completion and Inspection Certificate/Table | N/A |
6. In undertaking our valuation of the property for reference purpose, we have made reference to recent transaction prices of lands within the same district. These comparable properties are selected as they have characteristics comparable to the property. The accommodation value of land comparables range from RMB2,200 to RMB2,600 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustment. Due adjustment to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (I) Long Position in Shares

Name of Director	Capacity	No. of Shares Held	Aggregate percentage of issued share capital of the Company
So Shu Fai	Through controlled corporations <sup>Note</sup>	32,054,066(L)	0.65%

(L) Denotes long positions

Note:

These shares were directly held by Skill China Limited (*Skill China*). Skill China is wholly-owned by Fortune Alliance Group Limited. Joint Profit Limited owned 90% equity interest in Fortune Alliance Group Limited. Fortune Alliance Group Limited is in turn controlled for the purpose of Part XV of the SFO by Joint Profit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence, by virtue of Part XV of the SFO, Dr. So Shu Fai is deemed to be interested in the shares directly held by Skill China. Skill China, Fortune Alliance Group Limited and Joint Profit Limited are companies incorporated in the British Virgin Islands with limited liability.



- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.
- (c) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

### 3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors was a director or employee in the following companies, each of which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Liu Zhuogen was a director of Eureka Investment Company Limited;
- (b) Mr. Xian Yaoqiang was the general manager assistant of CMPD and the general manager of South-West regional general headquarters of CMPD;
- (c) Mr. He Jianya was a director and the general manager of CMPD and a director of Shenzhen China Merchants;
- (d) Ms. Wu Zhenqin was the chief financial officer of CMPD and a director of Shenzhen China Merchants; and
- (e) Ms. Liu Ning was the board secretary of CMPD.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up).

#### 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

#### 7. EXPERTS AND CONSENT

The following sets out the qualifications of the expert who has been named in this circular:

<b>Name</b>	<b>Qualifications</b>
Altus Capital Limited	Corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Jun He Law Firm	PRC legal advisers
Deloitte Touche Tohmatsu	Certified public accountants

Each of Altus Capital Limited, Jones Lang LaSalle, Jun He Law Firm and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither Altus Capital Limited, Jones Lang LaSalle, Jun He Law Firm nor Deloitte Touche Tohmatsu had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither Altus Capital Limited, Jones Lang LaSalle, Jun He Law Firm nor Deloitte Touche Tohmatsu had any interest, direct or indirect, in any assets which since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the issue of this circular and are or might be material:

- (a) the Agreement;
- (b) the trust deed dated 11 December 2013 between the Company as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (c) the agency agreement dated 11 December 2013 between the Company as the issuer and The Hongkong and Shanghai Banking Corporation as the trustee, the registrar, the transfer agent, the principal paying agent, the pre-funding account bank and the LC proceeds account bank in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (d) the subscription agreement dated 4 December 2013 between the Company as the issuer and Industrial and Commercial Bank of China (Asia) Limited, Merrill Lynch International, DBS Bank Ltd., Barclays Bank PLC, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, ING Bank N.V., Singapore Branch, J.P. Morgan Securities plc, and UBS AG, Hong Kong Branch as the joint lead managers in connection with the credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing a coupon rate of 4.021% per annum due 2018 issued by the Company;
- (e) the share purchase agreement entered into between the Company, Eureka and CMPD dated 24 April 2013 which was amended and supplemented on 22 September 2013, pursuant to which the Company has conditionally agreed to acquire, and Eureka has conditionally agreed to sell, (i) Eureka's equity interest in the issued share capital of Harpen Company Limited (*Harpen*), Converge, Sino Action and Happy City Investments Limited (*Happy City*); and (ii) the shareholders' loans outstanding and owing to Eureka by each of Sino Action, Happy City, Converge, Pride Oasis Limited (*Pride Oasis*), Cosmo City Limited (*Cosmo City*) and Harpen;

- (f) the placing agreement entered into between the Company, Eureka, CMPD, Goldman Sachs (Asia L.L.C. (*Goldman Sachs*), China Merchants Securities (HK) Co., Limited (*CMS*) and Citigroup Global Markets Inc. (*Citigroup*) (Goldman Sachs, CMS and Citigroup together, the *Placing Agents*) dated 9 October 2013, pursuant to which the Company has agreed to appoint the Placing Agents and the Placing Agents have agreed with the Company to use their best efforts to procure, as agents of the Company, purchasers to purchase not less than 939,760,297 new shares to be issued by the Company, and the Company has agreed to allot and issue to placees procured by the Placing Agents such new shares;
- (g) the deed of assignment entered into between the Company, Eureka, Harvest Allied, Harpen, Converge, Sino Action, Happy City, Pride Oasis and Cosmo City on 1 November 2013, pursuant to which Eureka has agreed to assign to Harvest Allied all of the shareholder's loans due and owing to Eureka by each of Sino Action, Happy City, Converge, Pride Oasis, Cosmo City and Harpen;
- (h) the indemnity agreement entered into between the Company and CMPD on 19 June 2013 which was amended and supplemented on 4 October 2013, pursuant to which CMPD shall indemnify the Company against any losses and expenses arising out of or in connection with various non-compliance matters of Harpen, Converge, Sino Action and Happy City;
- (i) the non-competition deed entered into between the Company and CMPD on 19 June 2013 which was amended and supplemented on 4 October 2013 in relation to, among other things, business delineation matters and principles for managing potential competition;
- (j) a share transfer agreement entered into between Eureka and Sino Action on 25 March 2013, pursuant to which Eureka transferred its 21% equity interest in Merchants Property Development (Guangzhou) to Sino Action at a consideration of RMB288,028,205.1 to be paid in Hong Kong dollar;
- (k) a share transfer agreement entered into between Eureka and Happy City on 25 March 2013, pursuant to which Eureka transferred its 51% equity interest in Merchants Nanjing Real Estate Co., Ltd. (招商局地產(南京)有限公司) to Happy City at a consideration of RMB113,177,828.3 to be paid in Hong Kong dollar;
- (l) a share transfer agreement entered into between Eureka and Converge on 27 March 2013, pursuant to which Converge transferred its 100% equity interest in Sino Action to Eureka at a consideration of HK\$100;
- (m) a share transfer agreement entered into between Eureka and Converge on 27 March 2013, pursuant to which Converge transferred its 100% equity interest in Happy City to Eureka at a consideration of HK\$100;

- (n) a share transfer agreement entered into between Eureka and Sino Action on 23 April 2013, pursuant to which Eureka transferred its 50% equity interest in Foshan Merchants Wharf Property Development Co., Ltd. (佛山招商九龍倉房地產有限公司) to Sino Action at a consideration of US\$54,949,000 or an equal amount in Hong Kong dollar;
- (o) a share transfer agreement entered into between Foshan Jin Cheng Frozen Food Co., Ltd. (佛山市金城速凍食品有限公司) (as transferor) and Merchants Property Development (Guangzhou) (as transferee), pursuant to which the transferor transferred its 34.5% equity interest in Foshan Kai Da Cheng to the transferee at a consideration of RMB71,097,000; and
- (p) a share transfer agreement entered into between Guangdong New Nanda Cable Industrial Co., Ltd. (廣東新南達電纜實業有限公司) (as transferor) and Merchants Property Development (Guangzhou) (as transferee), pursuant to which the transferor transferred its 16.5% equity interest in Foshan Kai Da Cheng to the transferee at a consideration of RMB34,003,000.

## 9. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

## 10. MISCELLANEOUS

- (a) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The company secretary of the Company is Ms. Chan Wing Yan. Ms. Chan graduated from The City University of Hong Kong with a bachelor's degree in accounting in July 2002. She has been a member of the Hong Kong Institute of Certified Public Accountants since December 2008 and a member of the Association of Chartered Certified Accountants of the United Kingdom since August 2006.
- (c) The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company is at Room 1701, 17/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.
- (d) The branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the offices of the Company at Room 1701, 17/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Agreement;
- (c) the letter from the Board, the text of which is set out on pages 7 to 20 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 35 of this circular;
- (f) the valuation report prepared by Jones Lang LeSalle, the text of which is set out in Appendix V of this circular;
- (g) the accountants' report on the Target Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;
- (h) the accountants' report on the compilation of Pro Forma Financial Information of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;
- (i) the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 and for the nine months ended 31 December 2012;
- (j) the PRC legal opinions issued by Jun He Law Firm, the PRC legal advisers to the Company;
- (k) the written consents referred to in the paragraph headed "Experts and Consent" in this Appendix VI;
- (l) the material contracts as set out in the section headed "8. Material Contracts" in this Appendix; and
- (m) this circular.

## NOTICE OF THE EGM



**CHINA MERCHANTS LAND LIMITED**

**招商局置地有限公司**

*(Incorporated with limited liability in the Cayman Islands)*

**(Stock Code: 978)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of shareholders (the *EGM*) of China Merchants Land Limited (the *Company*) will be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 12 September 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions. Capitalised terms defined in the circular dated 25 August 2014 issued by the Company (the *Circular*) shall have the same meanings when used in this notice unless otherwise specified.

#### ORDINARY RESOLUTIONS

**“THAT:**

- (a) the Acquisition pursuant to the terms and conditions of the Agreement be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents for an on behalf of the Company as they may consider necessary or desirable in connection with paragraph (a) of this resolution.”

By Order of the Board  
**China Merchants Land Limited**  
**Chan Wing Yan**  
*Company Secretary*

Hong Kong, 25 August 2014

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

## NOTICE OF THE EGM

3. Where there are joint registered holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
4. In order to determine members who are entitled to attend the extraordinary general meeting of the Company to be held on 12 September 2014, the register of members of the Company will be closed from 10 September 2014 to 12 September 2014, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 8 September 2014.
5. The resolution at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

*As at the date of this notice, the Board comprises Dr. So Shu Fai, Mr. Xian Yaoqiang, Mr. Liu Zhuogen and Mr. Yu Zhiliang as executive Directors; Mr. He Jianya, Ms. Wu Zhenqin and Ms. Liu Ning as non-executive Directors and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi as independent non-executive Directors.*