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**MAJOR TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN RESPECT OF  
DEVELOPMENT OF NANJING 2018G43 LAND**

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## DEFINITIONS

“Acquisition”	the acquisition of land use rights of the Nanjing 2018G43 Land through public bidding process
“Announcement”	the announcement of the Company dated 8 October 2018 in relation to the Cooperation Agreement
“Auction”	the public auction held by Nanjing Land Bureau at which the Nanjing 2018G43 Land was offered for sale
“Board”	the board of Directors
“Chongqing Yi Yun”	Chongqing Merchants Yi Yun Property Development Limited* (重慶招商依雲房地產有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“CMSK”	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979 (A share)), being the 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, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0978)
“Cooperation Agreement”	the cooperation agreement dated 8 October 2018 entered into between Chongqing Yi Yun and Nanjing Jiaotong in relation to the joint investment in the Project Company for the sole purpose of obtaining the land use rights of and developing the Nanjing 2018G43 Land through the Project Company
“Deposit”	the bidding deposit of RMB1,675,000,000 which has been paid by Chongqing Yi Yun on 6 September 2018 and shall form part of the Land Price
“Director(s)”	director(s) of the Company

## DEFINITIONS

“Final Shareholdings”	the final shareholding structure of the Project Company where each of Chongqing Yi Yun and Nanjing Jiaotong shall hold 51% and 49% of the equity interests in the Project Company, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“Land Price”	RMB3,350,000,000, being the aggregate consideration payable for the Acquisition pursuant to the Cooperation Agreement
“Land Use Right Grant Contract”	the land use right grant contract (國有建設用地使用權出讓合同) entered into between Chongqing Yi Yun and Nanjing Land Bureau on 21 September 2018
“Latest Practicable Date”	27 December 2018, 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, as amended from time to time
“Nanjing 2018G43 Land”	a piece of land situated at the west side of Jiangpu Street and Yushan Xi Road, and the south side of Guangdian Road, Pukou District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市浦口區江浦街道雨山西路以西、廣電路以南地塊), with a total site area of approximately 107,820.01 sq.m.
“Nanjing Jiaotong”	Nanjing Jiaotong Investment and Property Development Limited* (南京交通投資置業有限公司), a company established in the PRC with limited liability and a party to the Cooperation Agreement
“Nanjing Land Bureau”	The Land Resources Bureau of Pukou District of Nanjing City* (南京市國土資源局浦口分局)

## DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Governmental Body”	has the meaning ascribed to it under the Listing Rules
“Prepaid Agreement”	the Prepaid Agreement entered into between Chongqing Yi Yun and Nanjing Jiaotong on 14 September 2018, under which Nanjing Jiaotong undertook to contribute RMB820,750,000 for repayment of the shareholder’s loan provided by Changqing Yi Yun to the Project Company (i.e. the Deposit of RMB1,675,000,000) by 18 September 2018
“Project Company”	Nanjing Shengtong Property Development Limited* (南京盛通房地產開發有限公司), a company established in the PRC with limited liability on 25 September 2018 by Chongqing Yi Yun and Nanjing Jiaotong for the sole purpose of obtaining the land use rights of and developing the Nanjing 2018G43 Land
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

\* *Unofficial English translation denotes 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.*

 **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)**

**Non-executive Directors:**

XU Yongjun  
HUANG Junlong  
LIU Ning

**Executive Directors:**

SO Shu Fai  
YU Zhiliang  
WONG King Yuen

**Independent Non-executive Directors:**

WONG Wing Kuen, Albert  
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31 December 2018

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN RESPECT OF  
DEVELOPMENT OF NANJING 2018G43 LAND**

**INTRODUCTION**

On 7 September 2018, Chongqing Yi Yun (an indirect wholly-owned subsidiary of the Company) won the bidding in respect of the land use rights of the Nanjing 2018G43 Land at a price of RMB3,350,000,000. On 21 September 2018, Chongqing Yi Yun entered into the Land Use Right Grant Contract with Nanjing Land Bureau in relation to the Acquisition. On 25 September 2018, Chongqing Yi Yun and Nanjing Jiaotong established the Project Company in the PRC as a limited liability company for the sole purpose of obtaining the land use rights of and developing the Nanjing 2018G43 Land which is of a revenue nature in the ordinary and usual course of business of the Company. On 8 October

## LETTER FROM THE BOARD

2018, Chongqing Yi Yun entered into the Cooperation Agreement with Nanjing Jiaotong, pursuant to which Nanjing Jiaotong agreed to invest in the Project Company with Chongqing Yi Yun for obtaining the land use rights of and developing the Nanjing 2018G43 Land through the Project Company.

The main purpose of this circular is to provide you with, among other things, further details of the Acquisition, the Cooperation Agreement and the transactions contemplated thereunder.

Details of the Cooperation Agreement is summarized below.

### COOPERATION AGREEMENT

**Date:** 8 October 2018

**Parties:**

- i. Chongqing Yi Yun, an indirect wholly-owned subsidiary of the Company; and
- ii. Nanjing Jiaotong, a company established in the PRC with limited liability.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Nanjing Jiaotong and its ultimate beneficial owners are Independent Third Parties.

### Basic Information of the Nanjing 2018G43 Land

Land Location:	The west side of Jiangpu Street and Yushan Xi Road, and the south side of Guangdian Road, Pukou District, Nanjing City, Jiangsu Province, the PRC* (中國江蘇省南京市浦口區江浦街道兩山西路以西、廣電路以南地塊)
Total Site Area:	approximately 107,820.01 sq.m.
Usage of Land Use Rights:	residential usage with a term of 70 years
Permitted Plot Ratio:	not more than 2.2
Land Price:	RMB3,350,000,000

## LETTER FROM THE BOARD

### Shareholding structure and capital contribution to the Project Company

Under the Cooperation Agreement, the parties agreed, among other things, that:

- a. Chongqing Yi Yun shall make an application with Nanjing Land Bureau before 29 September 2018, to transfer the title of land use right of the Nanjing 2018G43 Land to the Project Company so that the Project Company shall become the sole beneficiary and developer of the Nanjing 2018G43 Land;
  - b. Chongqing Yi Yun and Nanjing Jiaotong shall develop the Nanjing 2018G43 Land through the Project Company, which shall be the sole beneficiary and developer of the Nanjing 2018G43 Land;
  - c. Chongqing Yi Yun and Nanjing Jiaotong shall bear the Land Price, tax, expenses and total investment amount in connection to the development of the Nanjing 2018G43 Land in proportion to their respective Final Shareholdings of 51% and 49%;
  - d. the registered capital of the Project Company in the amount of RMB1,500,000,000 shall be contributed by each of Chongqing Yi Yun and Nanjing Jiaotong in proportion to their respective Final Shareholdings;
  - e. the Deposit of RMB1,675,000,000 shall be converted as a shareholder's loan made by Chongqing Yi Yun to the Project Company, and the principal terms of which are set out below:
    - i. Purpose: payment of the Land Price;
    - ii. Interest: the interest is charged at the one-year benchmark interest rate of the People's Bank of China;
- The terms and conditions of any shareholder's loan to be made by Chongqing Yi Yun and Nanjing Jiaotong to the Project Company have been determined after arm's length negotiation between the parties to the Cooperation Agreement with reference to the capital requirement of the Project Company and the prevailing market interest rates;
- f. a Prepaid Agreement was signed between Chongqing Yi Yun and Nanjing Jiaotong on 14 September 2018, pursuant to which Nanjing Jiaotong has already contributed RMB820,750,000 for repayment of the shareholder's loan provided by Chongqing Yi Yun in e. above;
  - g. each of Chongqing Yi Yun and Nanjing Jiaotong shall inject money into the bank account of the Project Company by 12:00 noon on 11 October 2018 in proportion to their respective Final Shareholdings for the payment of the remaining Land Price, of which:
    - i. Chongqing Yi Yun shall contribute RMB854,250,000; and
    - ii. Nanjing Jiaotong shall contribute RMB820,750,000.

## LETTER FROM THE BOARD

### **Profit Distribution Arrangement of the Project Company**

Pursuant to the Cooperation Agreement, Chongqing Yi Yun and Nanjing Jiaotong shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.

### **Payment of the Nanjing 2018G43 Land Price**

The Nanjing 2018G43 Land Price is equal to the price of the land use right of the Nanjing 2018G43 Land, as derived from a public auction held by the Nanjing Bureau which was conducted in accordance with the terms of the auction promulgated by Nanjing Bureau on 7 September 2018.

The Deposit of RMB1,675,000,000 which has been paid by Chongqing Yi Yun on 6 September 2018 shall form part of the Land Price. The remaining Land Price of RMB1,675,000,000 is payable before 12 October 2018.

### **Establishment of the Project Company and the Current Capital Contribution**

On 25 September 2018, Chongqing Yi Yun and Nanjing Jiaotong established the Project Company in the PRC as a limited liability company for the sole purpose of obtaining the land use rights of and developing the Nanjing 2018G43 Land. As at the Latest Practicable Date, Chongqing Yi Yun and Nanjing Jiaotong have contributed RMB765,000,000 and RMB735,000,000 into the share capital of the Project Company respectively, and their respective shareholdings in the Project Company are 51% and 49%.

### **Management of the Project Company**

Significant matters of the Project Company (including but not limited to increase or reduction in capital, amendments to the memorandum and articles of association, mergers, demergers and liquidation) shall require the approval of the shareholders representing more than two-third of voting rights of the Project Company at the general meeting. The remaining matters shall be approved by shareholders representing more than one half of voting rights of the Project Company at the general meetings. As Chongqing Yi Yun and Nanjing Jiaotong hold 51% and 49% of voting rights of the Project Company respectively, unanimous consent of all joint venture partners will be needed for all significant matters.

The board of directors of the Project Company shall consist of five directors. Chongqing Yi Yun and Nanjing Jiaotong shall nominate three directors and two directors, respectively. The chairman of the board of directors of the Project Company shall be a director nominated by Nanjing Jiaotong.

The general manager (i.e. the legal representative) shall be responsible for the management of the Project Company. Such general manager shall be nominated by Chongqing Yi Yun and appointed or dismissed by the board of directors of the Project Company.

### **Scope of Business and Major Assets of the Project Company**

Pursuant to the Cooperation Agreement, the business scope of the Project Company is to acquire and develop the Nanjing 2018G43 Land. As at the Latest Practicable Date, the Nanjing 2018G43 Land is the only major asset of the Project Company.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE TRANSACTION

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

According to the Cooperation Agreement, where the Project Company is in need of capital for its operating requirements, Chongqing Yi Yun and Nanjing Jiaotong shall provide a shareholder's loan to the Project Company in proportion to their respective shareholdings in the Project Company. Given such financing arrangements under the Cooperation Agreement, the Directors consider that the formation of the Project Company could facilitate the development of Nanjing 2018G43 Land when the demand for capital increases. Since any costs and funding needs arising from the acquisition and development of Nanjing 2018G43 Land could be shared between Chongqing Yi Yun and Nanjing Jiaotong in proportion to their respective shareholdings in the Project Company, the capital commitment required on the part of the Company would be lowered and without such financial constraint, the Company can engage in more real estate projects to expand the property development and investment portfolio of the Group. As such, the Company considers that it is in the interest of the Company to acquire and develop Nanjing 2018G43 Land with Nanjing Jiaotong on a joint basis via the Project Company.

The terms of the Cooperation Agreement have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) have confirmed that the Acquisition and the terms of the Cooperation Agreement (including the financing and profit distribution arrangements) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

### FINANCIAL IMPACT

Upon establishment of the Project Company, Chongqing Yi Yun directly holds 51% of the equity interest in the Project Company. The Company holds, indirectly through Chongqing Yi Yun, 51% of the equity interest in the Project Company. Since Chongqing Yi Yun controls the majority of the board of directors and the voting rights in the shareholders' meetings of the Project Company and therefore the Project Company becomes a subsidiary of Chongqing Yi Yun. As a result, the financial results, assets and liabilities of the Project Company will be consolidated into the accounts of the Group in accordance with Hong Kong Financial Reporting Standard 10, and the Acquisition shall be accounted for an acquisition of land use rights of the Nanjing 2018G43 Land by the Project Company.

The contributions to the Project Company and the Nanjing 2018G43 Land by Chongqing Yi Yun is estimated to be approximately RMB2,929,174,800, which shall be funded by the Group's internal resources. As at 30 June 2018, the Group has cash and cash equivalents of approximately RMB5,831.5 million. The Directors consider that the Group's contribution for the transactions contemplated under the Cooperation Agreement shall not have any immediate material effect on the total assets, earnings and liabilities of the Group.

## LETTER FROM THE BOARD

Assuming the transactions contemplated under the Cooperation Agreement had been effected on 31 December 2017, the financial effects of such transactions on the total assets, earnings and liabilities of the Group are as follows:

	<b>Before the transactions</b>	<b>After the transactions</b>
	<i>RMB</i>	<i>RMB</i>
Total assets ( <i>Note 1</i> )	57,817,312,000	59,458,812,000
Earnings per Share ( <i>Note 2</i> ) ( <i>Note 3</i> ) ( <i>cents</i> )	30.61	30.61
Total liabilities ( <i>Note 4</i> )	36,046,086,000	36,952,586,000

*Note 1:* As the Land Price is equal to the price of the land use rights of the Nanjing 2018G43 Land and the Nanjing 2018G43 Land is the only major asset of the Project Company as of the Latest Practicable Date, the net value of the Project Company is approximately equal to the cost of the Acquisition.

Since Chongqing Yi Yun shall bear the cost of the Acquisition in proportion to its shareholding in the Project Company, which shall be funded by the Group's internal resources, and the Project Company shall be accounted for a subsidiary by the Company, the Group's properties for sale will increase by approximately RMB3,350 million and the bank balance will decrease by approximately RMB1,708.5 million, which will make the total assets increase by approximately RMB1,641.5 million.

*Note 2:* Reference is made to the earnings per Share in the Company's announcement of the audited financial results for the financial year ended 31 December 2017 released on 20 March 2018 where the computation assumes the conversion of the Group's outstanding convertible bonds since their exercise would result in a decrease in earnings per Share.

*Note 3:* The transactions contemplated under the Cooperation Agreement shall neither affect the profit for the year attributable to owners of the Company nor the number of issued Shares, and thus shall have no immediate material effect on the earnings per Shares of the Group.

*Note 4:* As Chongqing Yi Yun directly holds 51% of the equity interest in the Project Company, the Project Company borrows shareholder loan from both shareholders in proportion, the Group's total liabilities will increase by approximately RMB906.5 million.

### PARTICULARS OF THE PARTIES

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

Chongqing Yi Yun is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

Nanjing Jiaotong is a company established in the PRC and is principally engaged in property development in the PRC.

## LETTER FROM THE BOARD

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the contributions by Chongqing Yi Yun under the Cooperation Agreement exceed 25% but are less than 100%, the entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Group is engaged in property development as one of its principal business activities. As such, the Company considers itself to be a qualified issuer for the purpose of Rule 14.04(10B) of the Listing Rules. The Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as the Acquisition involves an acquisition of governmental land from a PRC Governmental Body through an auction governed by the PRC law.

The Acquisition is undertaken by the Group and Nanjing Jiaotong via the Project Company on a joint basis. According to the Cooperation Agreement which is prepared on an arm's length basis and on normal commercial terms, the Project Company is established for the single purpose relating to the acquisition and development of the Nanjing 2018G43 Land which is consistent with the purpose of the Auction. The Cooperation Agreement also contains clauses that the Project Company, may not, without the unanimous consent from Chongqing Yi Yun and Nanjing Jiaotong, change the nature or scope of the Project Company's business and its scope of business shall be at all times consistent with the requirements specified in the sales documents of the Auction.

The Directors (including the independent non-executive Directors) have confirmed that the Acquisition is in the Company's ordinary and usual course of business; and that the Acquisition and the Cooperation Agreement, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Acquisition, the Cooperation Agreement and the transactions contemplated thereunder therefore, is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

None of the Directors has a material interest in the Cooperation Agreement and the transactions contemplated thereunder, and none of them is required to abstain from voting on the board resolution approving the Cooperation Agreement and the transactions contemplated thereunder.

### INTERNAL CONTROL MEASURES

To ensure timely publication of announcement regarding acquisition of land through public bidding and the establishment of joint venture under Rules 14.33B and 14.34, the Company will take the following measures:

1. The business department of the Company shall assign a person to inform the company secretary department of the Company:
  - i. before the bidding is submitted for the bid of land use rights; and
  - ii. immediately after the winning of the bid, with full details, including but not limited to the information on the land use rights, the bidding information and the proposed joint venture structure.

## LETTER FROM THE BOARD

2. Once the business department informs the company secretary department of the successful winning of the bid of land use rights, the Company shall issue an announcement pursuant to Rule 14.33B, whether or not the terms of the joint venture arrangement have been finalized. Subsequent announcements shall be made once terms of the joint venture arrangement have been finalized.
3. The business department shall inform the company secretary department of the Company at least 3 business days before the signing of any joint venture agreement and other relevant agreements.
4. The Company shall internally approve the announcement regarding any Qualified Property Acquisition within 2 business day after submission for internal approval. All approvals of announcements shall be conducted independently from business transactions.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,  
On behalf of the Board  
**China Merchants Land Limited**  
**Xu Yongjun**  
*Chairman*

**1. AUDITED FINANCIAL RESULTS OF THE GROUP**

Details of the audited financial results of the Group for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited financial results of the Group for the six months ended 30 June 2018 are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://ir.cmland.hk>) in the following documents:

- (i) for the year ended 31 December 2015, on pages 111 to 251 of the annual report of the Company for the year ended 31 December 2015 released on 22 March 2016 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0322/LTN20160322400.pdf>;
- (ii) for the year ended 31 December 2016, on pages 120 to 259 of the annual report of the Company for the year ended 31 December 2016 released on 5 April 2017 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0405/LTN20170405383.pdf>;
- (iii) for the year ended 31 December 2017, on pages 110 to 259 of the annual report of the Company for the year ended 31 December 2017 released on 4 April 2018 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0404/LTN201804041165.pdf>;
- (iv) for the six months ended 30 June 2018, on pages 41 to 92 of the interim report of the Company for the six months ended 30 June 2018 released on 18 September 2018 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0918/LTN20180918302.pdf>.

There was no qualified opinion issued for the audited financial results of the Group for the last three financial years.

## 2. INDEBTEDNESS STATEMENT

**Borrowings**

As at the close of business on 31 October 2018, being the most recent practicable date for the purpose of the statement of indebtedness, the borrowings and loans of the Group prior to printing of this circular were shown as below:

	<b>31 October 2018</b> <i>RMB'000</i>
Bank and other borrowings	7,537,900
Bonds payable	3,429,248
Loans from an intermediate holding company	3,283,858
Loans from non-controlling equity holders of subsidiaries of the Enlarged Group	<u>5,359,189</u>
Total	<u><u>19,610,285</u></u>
Secured	586,586
Unsecured	<u>19,023,699</u>
Total	<u><u>19,610,285</u></u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	8,613,717
More than one year, but not exceeding two years, disclosed as non-current liabilities	851,887
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>10,144,681</u>
Total	<u><u>19,610,285</u></u>

**Contingent Liabilities**

As at 31 October 2018, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB2,987 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 October 2018, the Group did not have any other debt securities issued and outstanding or agreed to be issued, 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, debentures, mortgages, charges, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at 31 October 2018, the Group had cash and bank balances of approximately RMB6,660 million. The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US\$ and HK\$. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities. As the bond was denominated in US\$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US\$ exchange rates and might consider hedging should the need arises.

As at 31 October 2018, 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 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

#### **Pledge of Assets**

Save for properties for sale in Foshan and Nanjing with carrying value of approximately RMB1,183 million having been pledged to secure bank borrowings amounting to approximately RMB587 million granted to the Group as at 31 October 2018, the Group did not have any changes in pledge or charge on its assets including property, plant and equipment or properties under development for sale.

### 3. WORKING CAPITAL

Taking into account the effect of the transactions contemplated under the Cooperation Agreement and the present internal financial resources available to the Group, including cash and bank balances as well as the available banking facilities, the Directors are of the opinion that, the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

Upon establishment of the Project Company, Chongqing Yi Yun controls the majority of the board of directors and the voting rights in the shareholders' meetings of the Project Company and therefore the Project Company becomes a subsidiary of Chongqing Yi Yun. As a result, the financial results, assets and liabilities of the Project Company will be consolidated into the accounts of the Group.

As mentioned under the paragraph headed "Reasons for and Benefits of the Transaction" in the Letter from the Board in this circular, the Directors believe Chongqing Yi Yun would benefit from the cooperation in order to exert its strengths, grasp market opportunities and enhance its investment portfolio in the property market in the PRC, which would improve the capital efficiency and effectiveness, reduce the investment risks and thus a greater return could be created for the Shareholders.

Nevertheless, as disclosed in the Company's interim report for the six months ended 30 June 2018, since the government of the PRC is expected to impose more stringent property control policies to stabilize housing prices, the Group will keep an eye on the market condition and adhere to its principle of "sustaining intensive engagement and innovative development" by leveraging on the abundant inventory resources of China Merchants Group Limited ("CMG") and CMSK and fully capitalizing on the advantages of overseas listing, so as to facilitate corporate transformation as well as active exploration and grasping of market opportunities.

Regarding the property development business of the Group, as at 30 June 2018, the Group's portfolio of property development projects consisted of 31 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, villas, offices and retail shops, etc. The saleable gross floor area ("GFA") of the properties comprising the projects which had not been sold or presold as at 30 June 2018 ("Land Bank") was 6,195,181 sq.m..

Regarding the contracted sales of the Group, for the first half of 2018, the Group, together with its associated companies and joint venture, recorded contracted sales of approximately RMB14,492,000,000 from five cities and the saleable area sold was approximately 811,331 sq.m..

Regarding the newly acquired land bank of the Group, the newly acquired lands controlled by the Group as at 30 June 2018 are as follows:

<b>Project</b>	<b>Total consideration (RMB million)</b>	<b>Total site area (sq.m.)</b>	<b>Total permissible area (sq.m.)</b>	<b>Average land premium</b>
Foshan China Merchants Anzhitinglan	948	39,036	108,665	8,724
Chongqing Yongjingcheng	2,310	182,789	365,577	6,319

Regarding the electronic trading business and property related procurement business of the Group, the Group will consider the synergies from the property related procurement business and its key business of property development before determining the resources and effort to be input to the trading procurement business.

The Group will continue to be principally engaged in the development, sale, lease, investment and management of properties in the PRC and the sales of electronic and electrical related products and sales of building related materials and equipment and meanwhile the Group will expedite its transformation, develop more light-assets business and establish a professional operating platform, in order to bring better returns to Shareholders.

## 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

### Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

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:

#### Long positions in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage (%) in the issued share capital of the Company
So Shu Fai	Through controlled corporations ( <i>Note</i> )	32,054,066 (L)	0.65%

*Note:* These shares are held by Skill China Limited (“Skill China”). Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Skill China. Hence Fortune Alliance Group Limited is deemed to be interested in the shares held by Skill China. Fortune Alliance Group Limited is in turn controlled by Joint Profit Limited, which is beneficially wholly-owned by Dr. SO Shu Fai, an executive Director of the Company. Hence Dr. SO Shu Fai is deemed to be interested in the shares 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.

## Long positions in underlying Shares of associated corporation

Name of Director	Nature of interest	Number of underlying Shares involved (Note)	Approximate percentage (%) in the issued share capital of the Company
XU Yongjun	Beneficial owner	704,000	0.00%
HUANG Junlong	Beneficial owner	372,000	0.00%
LIU Ning	Beneficial owner	372,000	0.00%
YU Zhiliang	Beneficial owner	200,000	0.00%

*Note:* These are the underlying Shares involved in the share options granted by CMSK (an intermediate controlling shareholder indirectly holding 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. XU Yongjun, Mr. HUANG Junlong, Ms. LIU Ning and Mr. YU Zhiliang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or 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.

### 3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors is 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. Xu Yongjun, a non-executive Director, is a director and general manager of CMSK;
- b. Mr. Huang Junlong, a non-executive Director, is the chief financial officer of CMSK;
- c. Ms. Liu Ning, a non-executive Director, is the board secretary of CMSK; and
- d. Mr. Wong King Yuen, an executive Director, is the director and general manager of China Merchants Properties Development Limited and China Merchants Property Agency Limited, wholly-owned subsidiaries of CMSK.

**4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

There is no contract or arrangement subsisting at the date of publication of this circular in which a Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**5. INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or controlling shareholders (as defined in the Listing Rules) and their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims 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 any member of the Group.

**7. SERVICES CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

**8. GENERAL**

- 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 Mr. Kenneth Tsui. Mr. Tsui obtained a Bachelor of Social Science degree with honours major in economics in the Chinese University of Hong Kong in 2007 and has been a certified public accountant of the Hong Kong Institute of Certified Public Accountant. He has over 9 years of experience in financial accounting and auditing.

- c. The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company is at Room 2603–2606, 26/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.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- a. a supplemental capital increase agreement dated 21 November 2017 entered into between CMSK, Happy City Investments Limited (樂富投資有限公司) (“**Happy City**”) and China Merchants Land (Shenzhen) Limited\* (招商局置地(深圳)有限公司) (“**Shenzhen Merchants**”), pursuant to which certain terms of the Original Capital Increase Agreement (as defined in item b below) regarding the Additional Capital Contribution (as defined in item b below) have been amended. For details of the supplemental capital increase agreement, please refer to the announcement of the Company dated 21 November 2017 and the circular of the Company dated 4 December 2017;
- b. a capital increase agreement (the “**Original Capital Increase Agreement**”) dated 1 November 2017 entered into between CMSK, Happy City and Shenzhen Merchants, pursuant to which, among other things, CMSK and Shenzhen Merchants shall make additional capital contribution of RMB4,900,000,000 and RMB5,100,000,000, respectively to Merchants Nanjing (the “**Additional Capital Contribution**”). For details of the Original Capital Increase Agreement, please refer to the circular of the Company dated 4 December 2017;
- c. a supplemental agreement to the Land Use Rights Grant Contract (as defined in item e below) dated 11 July 2017 entered into between Foshan Merchants Property, Foshan Bureau of Land Resource and City Planning\* (廣東省佛山市國土資源和城鄉規劃局) (“**Foshan Bureau**”) and Foshan Merchants Brilliant Property, pursuant to which, among other things, Foshan Merchants Brilliant Property shall take up all the rights, benefits and obligations of the land use rights of the Foshan Land (as defined in item e below) in place of Foshan Merchants Property. For details of the supplemental agreement to the Land Use Rights Grant Contract, please refer to the circular of the Company dated 24 August 2017;

- d. a cooperation agreement dated 21 June 2017 entered into between Guangzhou Merchants Property Development Limited\* (廣州招商房地產有限公司), Guangdong Poly Property Development Company Limited\* (廣東保利房地產開發有限公司), and Shanghai Guanyi Corporate Management Company Limited\* (上海冠懿企業管理有限公司) pursuant to which, among other things, Guangzhou Xinhe Property Development Company Limited\* (廣州新合房地產有限責任公司) has been established in the PRC on 11 May 2017 specially to engage in the development of a piece of land known as Zengcheng Land situated from in the east of Finance Avenue down to the west of existing plants, in the south of Changfeng International Commercial Project down to the north of Chuangxin Avenue (東至金融大道，南至長風國際商業項目，西至現狀廠房，北至創新大道) with a total site area of 86,417.35 sq.m. for a consideration of RMB4,350,000,000. For details of the cooperation agreement, please refer to the circular of the Company dated 24 August 2017;
- e. a land use rights grant contract (國有建設用地使用權出讓合同) (the “**Land Use Rights Grant Contract**”) dated 16 June 2017 entered into between Foshan Merchants Property and Foshan Bureau pursuant to which, among other things, Foshan Merchants Property shall acquire a piece of land situated at Nan Jin Village Committee Lot, Sha Long Road, Jiujiang Town, Nanhai District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市南海區九江鎮沙龍路南金村委會地段) with a total site area of approximately 81,356.9 sq.m. (the “**Foshan Land**”) for a consideration of RMB2,015,060,000. For details of the Land Use Rights Grant Contract, please refer to the announcement of the Company dated 16 June 2017 and the circular of the Company dated 24 August 2017;
- f. a cooperation agreement dated 31 May 2017 entered into between Guangzhou Dingjia Property Development Co., Ltd.\* (廣州鼎佳房地產有限公司) (“**Guangzhou Dingjia Property**”) and Foshan Merchants Property pursuant to which, among other things, (i) Guangzhou Dingjia Property and Foshan Merchants Property shall jointly develop a piece of land situated at the east side of Jianshe Yilu, Xinan Street, Sanshui District, Foshan City, Guangdong Province, the PRC\* (中國廣東省佛山市三水區西南街道建設一路東側) with a total site area of approximately 47,252.97 sq.m. through Foshan Dingtu Property Development Co., Ltd.\* (佛山鼎圖房地產有限公司) (the “**Project Company**”) which has been established in the PRC on 25 April 2017 by Guangzhou Dingjia Property; (ii) Foshan Merchants Property shall contribute RMB10,000,000 to the registered capital of the Project Company and reimburse 50% of the shareholders’ loan of RMB518,950,000 to Guangzhou Dingjia Property; and (iii) each of Guangzhou Dingjia Property and Foshan Merchants Property shall bear the land consideration of RMB1,037,900,000 in proportion to their proposed shareholdings in the Project Company. For details of the cooperation agreement, please refer to the announcement of the Company dated 31 May 2017; and

- g. a cooperation framework agreement dated 6 March 2017 entered into between Nanjing Merchants Zhaosheng Property Development Limited\* (南京招商招盛房地產有限公司) (“**Nanjing Merchants**”), Chongqing Hanzhi Industrial Development Company Limited\* (重慶瀚置實業發展有限公司) (“**Chongqing Hanzhi**”) and Jurong Jinhui Real Estate Construction Company Limited\* (句容市金匯房產建設有限公司) (“**Jurong Jinhui**”) pursuant to which, among other things, (i) Nanjing Shengxiang Yuan Property Development Limited\* (南京盛香園房地產開發有限公司) (“**Nanjing Shengxiang**”) has been established in the PRC on 3 March 2017 specifically to engage in the development of a piece of land known as Nanjing 2016G98 Land situated from South Zhongshan Road in the east to Fengtai Road in the west, from Yingtian Avenue in the south to Qinhuai River in the north (東至中山南路，南至應天大街，西至鳳台路，北至秦淮河) with a total site area of 199,329.26 sq.m.; (ii) each of Nanjing Merchants, Chongqing Hanzhi and Jurong Jinhui has respectively contributed an amount of RMB10,200,000, RMB6,600,000, and RMB3,200,000 to the registered capital of Nanjing Shengxiang and shall respectively contribute an amount of RMB3,505,400,000, RMB3,402,300,000 and RMB3,402,300,000 for the acquisition and development of the Nanjing 2016G98 Land before 15 August 2017. For details of the cooperation framework agreement, please refer to the circular of the Company dated 14 July 2017.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company at Room 2603, 26/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 14 January 2019:

- a. the memorandum and articles of association of the Company;
- b. the Cooperation Agreement;
- c. the letter from the Board dated 31 December 2018, the text of which is set out on pages 4 to 11 of this circular;
- d. the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017;
- e. the interim report of the Company for the six months ended 30 June 2018;
- f. the material contracts referred to in the section headed “Material contracts” in this appendix; and
- g. a copy of this circular.

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