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**MAJOR TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN RESPECT OF  
DEVELOPMENT OF QINHUAI LAND**

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18 December 2020

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## DEFINITIONS

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

“Board”	the board of Directors
“CMG”	China Merchants Group Limited (招商局集團有限公司), a PRC enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, being the controlling shareholder of CMSK holding more than 63% of the total issued share capital of CMSK as at the Latest Practicable Date
“CMSK”	China Merchants Shekou Industrial Zone Holdings Company Limited (招商局蛇口工業區控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979 (A share)), being the intermediate controlling shareholder of the Company and indirectly holds approximately 74.35% of the total issued share capital of the Company as at the Latest Practicable Date
“Company”	China Merchants Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 978)
“Cooperation Agreement”	the cooperation agreement dated 16 June 2020 entered into between Merchants Nanjing, Nanjing Huade and the Project Company for the sole purpose of development of the Qinhuai Land through the Project Company
“Deposit”	the bidding deposit of RMB1,306,000,000 which has been paid by Nanjing Huade on 28 April 2020 and shall form part of the Land Price
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“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”	RMB6,910,000,000, being the aggregate consideration payable for acquisition of the Qinhuai Land
“Latest Practicable Date”	14 December 2020, 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
“Merchants Nanjing”	China Merchants Property (Nanjing) Limited* (招商局地產(南京)有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Nanjing Bureau”	Nanjing Municipal Planning and Natural Resources Bureau (南京市規劃和自然資源局), an Independent Third Party
“Nanjing Huade”	Nanjing Huade Real Estate Co., Limited* (南京鐸得房地產開發有限公司), a company established in the PRC with limited liability, which is principally engaged in property development in the PRC
“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Project Company”	Nanjing Huayao Real Estate Co., Ltd.* (南京鐸耀房地產開發有限公司), a company established in the PRC with limited liability on 15 May 2020 by Nanjing Huade for the sole purpose of developing the Qinhuai Land
“Qinhuai Land”	a piece of land situated at South of Ningwu Railway, West of Youyihe Road, North of Guanghua Road, Qinhuai District with a total site area of approximately 92,687.54 sq.m.

## DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	shareholders of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Well”	Success Well Investments Limited, a limited liability company incorporated in the British Virgin Islands and the controlling shareholder of the Company which directly owns an aggregate of 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company as at the Latest Practicable Date
“Written Approval”	the written approval of the Cooperation Agreement and the transactions contemplated thereunder by Success Well dated 16 June 2020
“%”	per cent.

\* *Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.*

*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)**

**Board of Directors:**

*Non-executive Directors:*

XU Yongjun (*Chairman*)

HUANG Junlong

LIU Ning

*Executive Directors:*

SO Shu Fai

YU Zhiliang

WONG King Yuen

*Independent Non-executive Directors:*

WONG Wing Kuen, Albert

CHEN Yanping

SHI Xinping

HE Qi

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China Merchants Tower

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Nos. 168-200 Connaught Road Central

Hong Kong

18 December 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION:  
JOINT VENTURE ARRANGEMENT IN RESPECT OF  
DEVELOPMENT OF QINHUAI LAND**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 16 June 2020 in relation to the Cooperation Agreement, pursuant to which Merchants Nanjing (an indirect non-wholly owned subsidiary of the Company), Nanjing Huade and the Project Company have agreed to develop the Qinhuai Land through the Project Company.

The purpose of this circular is to provide you with, among other things, (i) the details of the Cooperation Agreement and the transactions contemplated thereunder;

## LETTER FROM THE BOARD

(ii) the financial information of the Group; (iii) the accountants' report of the Project Company; (iv) the unaudited pro forma financial information of the Group after the completion of the capital contribution; (v) management discussion and analysis on the Project Company; (vi) valuation report prepared by an independent property valuer; and (vii) general information of the Group.

### COOPERATION AGREEMENT

On 29 April 2020, Nanjing Huade won a bidding in respect of the land use rights of the Qinhuai Land at the Land Price of RMB6,910,000,000. On 15 May 2020, the Project Company was established in the PRC by Nanjing Huade as a limited liability company for the sole purpose of developing the Qinhuai Land. Nanjing Huade subsequently entered into a land use right grant contract with the Nanjing Bureau on 26 May 2020 to become the sole beneficiary and developer of the Qinhuai Land.

On 16 June 2020, Merchants Nanjing (an indirect non-wholly owned subsidiary of the Company) entered into the Cooperation Agreement with Nanjing Huade and the Project Company for the development of the Qinhuai Land through the Project Company.

The principal terms of the Cooperation Agreement are set out as follows:

**Date:** 16 June 2020

#### **Parties**

- (a) Merchants Nanjing, an indirect non-wholly owned subsidiary of the Company;
- (b) Nanjing Huade, a company established in the PRC with limited liability; and
- (c) the Project Company, a direct wholly-owned subsidiary of Nanjing Huade as at the date of the Cooperation Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Nanjing Huade is a wholly-owned subsidiary of Zhuhai Huafa Industrial Co., Ltd.\* (珠海華發實業股份有限公司, "**Huafa Industrial**"), a joint stock company established in the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600325). As at the Latest Practicable Date, the largest shareholder holding approximately 24.2% of the total number of A shares issued by Huafa Industrial is Zhuhai Huafa Group Co., Ltd.\* (珠海華發集團有限公司), the entire equity interest of which is held by the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government\* (珠海市人民政府國有資產監督管理委員會).

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

## LETTER FROM THE BOARD

### Basic Information of the Qinhuai Land

- Land Location : South of Ningwu Railway, West of Youyihe Road, North of Guanghua Road, Qinhuai District (秦淮區南至寧燕鐵路、西至友誼河路、北至光華路)
- Total Site Area : approximately 92,687.54 sq.m.
- Usage of Land Use Rights : commercial and residential usage (mixed)
- Permitted Plot Ratio : not more than 2.5
- Land Price : RMB6,910,000,000 comprising:
- (1) the Deposit of RMB1,306,000,000 which has been paid by Nanjing Huade on 28 April 2020;
  - (2) the first instalment of RMB3,455,000,000 which has been paid by Nanjing Huade on 28 May 2020 (part of which is formed by the Deposit) (the “**First Instalment**”); and
  - (3) the second instalment of RMB3,455,000,000 payable before 29 October 2020 (the “**Second Instalment**”).

### Capital Contribution

Pursuant to the Cooperation Agreement,

- (a) Nanjing Huade shall transfer 45% of the equity interest in the Project Company to Merchants Nanjing without premium, upon which the Project Company shall be held by Merchants Nanjing and Nanjing Huade as to 45% and 55%, respectively;
- (b) Merchants Nanjing and Nanjing Huade shall develop the Qinhuai Land through the Project Company, which shall be the sole beneficiary and developer of the Qinhuai Land;
- (c) Merchants Nanjing and Nanjing Huade shall bear the Land Price, tax, expenses and total investment amount in connection to the development of the Qinhuai Land in proportion to their respective shareholdings in the Project Company of 45% and 55%, respectively;
- (d) the initial registered capital of the Project Company of RMB20,000,000 shall be increased to RMB4,000,000,000, which shall be contributed and held by each of Merchants Nanjing and Nanjing Huade according to their respective shareholdings in the Project Company of 45% and 55%, respectively;



## LETTER FROM THE BOARD

- (e) Merchants Nanjing shall inject RMB1,554,750,000 into a designated bank account of Nanjing Huade for the payment of the First Instalment before 19 June 2020, conditional upon:
- (i) Merchants Nanjing receiving a liquidity support letter issued by Nanjing Huade or its affiliated companies;
  - (ii) Merchants Nanjing receiving payment notice from the Project Company; and
  - (iii) Nanjing Huade charging 45% of the equity interest in the Project Company in favour of Merchants Nanjing as security for the capital contribution by Merchants Nanjing to the Project Company (the “**Share Charge**”). Merchants Nanjing agrees to release the Share Charge after completion of the registration procedures with the relevant government authorities for the transfer of 45% of the equity interest in the Project Company from Nanjing Huade to Merchants Nanjing.

As at the Latest Practicable Date, Merchants Nanjing has injected RMB1,554,750,000 into the designated bank account of Nanjing Huade for the payment of the First Instalment.

- (f) Merchants Nanjing shall pay a fund possession fee to Nanjing Huade calculated in the following manner:
- (i) in respect of Merchants Nanjing’s share of the Deposit paid by Nanjing Huade, at a rate of 8.48% per annum on the basis of 360 days per year (the “**Fund Possession Fee Rate**”) for the period from 30 April 2020 to the date of the payment of the First Instalment by Merchants Nanjing;
  - (ii) in respect of Merchants Nanjing’s share of the First Instalment (excluding the Deposit) paid by Nanjing Huade on 28 May 2020, at the Fund Possession Fee Rate for the period from 28 May 2020 to the date of the payment of the First Instalment by Merchants Nanjing;
  - (iii) in respect of Merchants Nanjing’s share of the tax and expenses in relation to the entering into of the land use right grant contract paid by Nanjing Huade on 14 May 2020, at the Fund Possession Fee Rate for the period from 14 May 2020 to the date of the payment of the First Instalment by Merchants Nanjing; and

## LETTER FROM THE BOARD

The purpose of the fund possession fee (資金佔用費) arrangement was to fulfil a common practice in property development cooperation, and the rate of 8.48% was negotiated with Nanjing Huade on the basis of arm's length with the reference to the then fund possession fee rate for projects in Nanjing. In light of that, the Directors are of the view that such rate is fair and reasonable.

- (g) Merchants Nanjing and Nanjing Huade shall cooperate to complete the registration procedures with the relevant government authorities for the transfer of 45% of the equity interest in the Project Company from Nanjing Huade to Merchants Nanjing before 9 November 2020, and within 10 working days upon which Merchants Nanjing and Nanjing Huade shall further cooperate to complete the registration procedures with the relevant government authorities for the increase of registered capital of the Project Company from RMB20,000,000 to RMB4,000,000,000, which shall be contributed and held by each of Merchants Nanjing and Nanjing Huade according to their respective shareholdings in the Project Company of 45% and 55%.

As at the Latest Practicable Date, the registration procedures with the relevant government authorities for the transfer of 45% interest of the Project Company to Merchants Nanjing was completed.

The amount of capital contribution of each of Merchants Nanjing and Nanjing Huade was determined after arm's length negotiations with reference to the capital requirements of the Project Company and the development cost of the Qinhuai Land including the First Instalment. The Group's share of the total investment amount, being approximately RMB4,234,890,000, comprises:

- (a) RMB1,800,000,000, being 45% of the total registered capital of the Project Company to be contributed by Merchants Nanjing shall be the partial payment of the Land Price; and
- (b) RMB2,434,890,000, being 45% of the total estimated investment costs to be contributed by Merchants Nanjing in the Project Company, including the payment of the rest of the Land Price (approximately RMB1,309,500,000), Real Estate Tax (approximately RMB93,880,000), construction costs and other related expenses (approximately RMB1,031,510,000) in relation to the development of the Qinhuai Land while the construction costs and other related expenses are estimated based on, among other things, the construction contracts' market price quotation and information according to the project development design standard,

and shall be funded by the Group's internal resources.

## LETTER FROM THE BOARD

### **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 be approved by shareholders' unanimous consent.

The board of directors of the Project Company shall consist of three directors. Merchants Nanjing and Nanjing Huade shall nominate one director and two directors respectively. The chairman of the board of directors of the Project Company (i.e. the legal representative) shall be a director nominated by Nanjing Huade.

The general manager and joint general manager shall be responsible for the management of the Project Company and such persons shall be nominated by Nanjing Huade and Merchants Nanjing respectively.

### **Profit Distribution Arrangement**

Pursuant to the Cooperation Agreement, Merchants Nanjing and Nanjing Huade shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.

### **FINANCIAL IMPACT**

Upon completion of the Cooperation Agreement, Merchants Nanjing does not have right to appoint a majority of the board of directors of the Project Company and has no control over the voting rights in the shareholders' meetings of the Project Company, and therefore the Project Company shall not become a subsidiary of Merchants Nanjing. As a result, the financial results, assets and liabilities of the Project Company will not be consolidated into the accounts of the Group.

### **REASONS FOR AND BENEFITS OF THE COOPERATION ARRANGEMENT**

The Group is engaged in, among others, (i) development, sale, lease, investment and management of properties; and (ii) asset management business.

Each of Merchants Nanjing and Nanjing Huade would benefit from the cooperation in order to exert their strengths, grasp market opportunities and enhance their investment portfolio in the property market in the PRC, which would improve the capital efficiency and effectiveness and reduce the investment risks and thus a greater return could be created for the Shareholders.

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

### **PARTICULARS OF THE PARTIES**

Merchants Nanjing, a company established in the PRC with limited liability, is principally engaged in property development and sales of property in the PRC.

Nanjing Huade, a company established in the PRC with limited liability, is principally engaged in property development in the PRC.

## LETTER FROM THE BOARD

The Project Company, a company established in the PRC with limited liability, is principally engaged in property development of the Qinhuai Land.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Cooperation Agreement exceed 25%, but are all 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.

### WRITTEN APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting. So far as the Company is aware, none of the Shareholders is materially interested in the Cooperation Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Cooperation Agreement and the transactions contemplated thereunder. As at the date of this circular, Success Well directly holds 3,646,889,329 Shares (representing approximately 74.35% of the total issued Shares). As the Company has obtained the Written Approval from Success Well, no extraordinary general meeting of the Company will be convened for the purpose of approving the Cooperation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

### RECOMMENDATION

The Directors are of the opinion that the terms of the Cooperation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If an extraordinary general meeting were to be convened for the approval of the Cooperation Agreement and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Cooperation Agreement and the transactions contemplated thereunder at such general meeting.

### 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. FINANCIAL RESULTS OF THE GROUP**

Details of the audited financial results of the Group for each of the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the unaudited financial results of the Group for the six months ended 30 June 2020 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 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://www1.hkexnews.hk/listedco/listconews/sehk/2018/0404/ltn201804041165.pdf>;
- (ii) for the year ended 31 December 2018, on pages 119 to 287 of the annual report of the Company for the year ended 31 December 2018 released on 4 April 2019 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0404/ltn20190404691.pdf>;
- (iii) for the year ended 31 December 2019, on pages 118 to 271 of the annual report of the Company for the year ended 31 December 2019 released on 17 April 2020 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700574.pdf>; and
- (iv) for the six months ended 30 June 2020, on pages 41 to 68 of the interim report of the Company for the six months ended 30 June 2020 released on 25 September 2020 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0925/2020092500464.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 2020, 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 2020</b>
	<i>RMB'000</i>
Bank and other borrowings	13,795,780
Bonds payable	1,900,000
Loans from an intermediate holding company	2,790,197
Loans from non-controlling equity holders of subsidiaries of the Group	<u>3,259,338</u>
Total	<u><u>21,745,315</u></u>
Secured	1,744,120
Unsecured	<u>20,001,195</u>
Total	<u><u>21,745,315</u></u>
Carrying amounts repayable:	
Within one year or on demand, disclosed as current liabilities	284,917
More than one year, but not exceeding two years, disclosed as non-current liabilities	13,955,126
More than two years, but not exceeding five years, disclosed as non-current liabilities	<u>7,505,272</u>
Total	<u><u>21,745,315</u></u>

**Contingent Liabilities**

As at 31 October 2020, the Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB2,657,838,000.

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 2020, 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 2020, the Group had cash and bank balances of approximately RMB8,624,880,000. 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. The bond was denominated in RMB, which is same as the functional currency of the Group's conduct of its sales, receivables, payables and expenditures for its PRC property development business, however, the management will closely monitor the volatility of the exchange rates and might consider hedging should the need arises.

As at 31 October 2020, 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 2019, 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 Chongqing, Foshan, Nanjing and Jurong with carrying value of approximately RMB2,345,799,000 having been pledged to secure bank borrowings amounting to approximately RMB1,787,433,000 granted to the Group as at 31 October 2020, 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

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2019, 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

On the macroeconomic side, in the second half of the year, under the premise that the domestic epidemic is under effective control, China's economy may gradually recover, the expedition of infrastructure investment and the real estate investment turned up year-on-year will drive fixed asset investment improvement, while consumption may be hindered by a combination of factors, the growth space is predicted to be constrained. In general, China's economy is expected to improve but we need to be vigilant of the risks brought about by a variety of uncertainties, and the overall economic growth pressure is still relatively large. The domestic financial environment will remain relatively loose, and a reasonable abundance of liquidity will provide a more favorable capital demand for economic recovery and development.

For the real estate market, it will also benefit from a stable and relatively loose financial environment, with a decrease in financing costs for real estate enterprises and a reduction in the cost of capital. The decline in the cost of homeownership, among other things, has helped the market recover. In terms of policy, on top of the overarching themes of "houses are for living not for speculation" and "carrying out city-specific policies" in the past years, it is expected that, in 2020, the Ministry of Housing and Urban-Rural Development of the PRC will continue the above policies, but may relax the household settlement policy as a means of adjustment.

In terms of the properties segment, the Group, together with its associated companies and joint venture companies, achieved unaudited aggregate contracted sales of approximately RMB33,021 million (representing a year-on-year increase of approximately 26%) with an unaudited aggregate contracted sales area of approximately 1,859,063 square meters (representing a year-on-year increase of approximately 29%) for the nine months ended 30 September 2020. The Group will continue to adhere to the principle of "sustaining intensive engagement and innovative development" by leveraging on the abundant resources of CMG and CMSK and proactively grasp market investment opportunities.



As to the asset management segment, the assets managed by the Group through the REIT manager are located in the Greater Bay Area of Guangdong, Hong Kong and Macau, which have not only benefited from the PRC's economic recovery, but have also undergone renewal and renovation works as planned intending to enjoy further economic benefits. For the six months ended 30 June 2020, revenue by the asset management service was recorded approximately RMB9,103,000. The Group will continue to carry out asset management business to create a new income sources for the shareholders of the Group, which has already been contributing revenue to the Group.

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



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION  
OF NANJING HUAYAO REAL ESTATE CO., LTD.  
TO THE DIRECTORS OF CHINA MERCHANTS LAND LIMITED  
南京鑄耀房地產開發有限公司**

**Introduction**

We report on the historical financial information of Nanjing Huayao Real Estate Co., Ltd. (the "**Project Company**") set out on pages II-5 to II-16, which comprises the statement of financial position of the Project Company as at 31 August 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Project Company for the period from 15 May 2020 (date of establishment) to 31 August 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-16 forms an integral part of this report, which has been prepared for inclusion in the circular of China Merchants Land Limited (the "**Company**") dated 18 December 2020 (the "**Circular**") in connection with the proposed major acquisition of the 45% equity of the Project Company.

**Directors' responsibility for the Historical Financial Information**

The directors of the Project Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Project Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Project Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Project Company's financial position as at 31 August 2020 and of the Project Company's financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### *Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

#### *Dividends*

We refer to Note 7 to the Historical Financial Information which states that no dividend has been declared or paid by the Project Company in respect of the Track Record Period.

*No historical financial statements for the Project Company*

No statutory financial statements have been prepared for the Project Company since its date of establishment.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

18 December 2020

**HISTORICAL FINANCIAL INFORMATION OF THE PROJECT COMPANY****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Project Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**").

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the period from 15 May 2020 (date of establishment) to 31 August 2020
	<i>NOTE</i>	<i>RMB</i>
Bank interest income		425
Administrative expenses		<u>(30,373)</u>
Loss and total comprehensive expense for the period	5	<u><u>(29,948)</u></u>

## STATEMENT OF FINANCIAL POSITION

		At 31 August 2020
	<i>NOTES</i>	<i>RMB</i>
<b>Current assets</b>		
Property under development	8	6,952,731,017
Other receivables		36,338
Bank balance		<u>28,722,058</u>
		<u>6,981,489,413</u>
<b>Current liabilities</b>		
Payable for acquisition for land use right		3,455,000,000
Other payables		5,200,000
Shareholders' loans	9	<u>3,521,319,361</u>
		<u>6,981,519,361</u>
<b>Net liabilities</b>		<u><u>(29,948)</u></u>
<b>Capital and reserve</b>		
Paid-in capital	10	-
Accumulated loss		<u>(29,948)</u>
<b>Deficiency of equity</b>		<u><u>(29,948)</u></u>

**STATEMENT OF CHANGES IN EQUITY**

	Paid-in capital <i>RMB</i>	Accumulated loss <i>RMB</i>	Total <i>RMB</i>
Loss and total comprehensive expense for the period	–	(29,948)	(29,948)
At 31 August 2020	<u>–</u>	<u>(29,948)</u>	<u>(29,948)</u>

**STATEMENT OF CASH FLOWS**

	<i>NOTE</i>	For the period from 15 May 2020 (date of establishment) to 31 August 2020 <i>RMB</i>
<b>OPERATING ACTIVITIES</b>		
Loss for the period		(29,948)
Adjustment for interest income		<u>(425)</u>
Operating cash flows before movements in working capital		(30,373)
Increase in other receivables		(36,338)
Increase in property under development		(6,910,575,688)
Increase in payable for acquisition of land use right		3,455,000,000
Increase in other payables		<u>5,200,000</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<u>(3,450,442,399)</u>
<b>CASH FROM AN INVESTING ACTIVITY</b>		
Interest received		<u>425</u>
<b>CASH FROM A FINANCING ACTIVITY</b>		
Advance from shareholders	11	<u>3,479,164,032</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Represented by bank balance		<u><u>28,722,058</u></u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Project Company was established on 15 May 2020 and registered in the People's Republic of China (the "PRC"). Its immediate holding company is 南京鐮得房地產開發有限公司 Nanjing Huade Real Estate Co., Limited ("Nanjing Huade"), which was established in the PRC. On 16 June 2020, Nanjing Huade entered into a cooperation agreement (the "Agreement") with 招商局地產(南京)有限公司 China Merchants Property (Nanjing) Limited ("Merchants Nanjing"), a PRC indirect non-wholly owned subsidiary of China Merchants Land Limited (which is incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Pursuant to the Agreement, (i) Merchants Nanjing and Nanjing Huade shall develop a piece of land situated at Qinhuai District of Nanjing (the "Qinhuai Land"), in which instalments of the land price would be paid in June and October 2020 respectively; (ii) Nanjing Huade shall transfer 45% of the equity interest in the Project Company to Merchants Nanjing; and (iii) the decision making process about the relevant activities of the Project Company requires unanimous consent from both parties.

The Project Company engages in the business of property development. The address of the register office and the principal place of business of the Project Company is Room 201, Block B, Building 4, Nanjing Baixia High-tech Industrial Development Zone, No. 6, Yongzhi Road, Qinhuai District, Nanjing (南京市秦淮區永智路6號南京白下高新技術產業開發區四號樓B棟201室).

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Project Company.

For the purpose of preparing and presenting the Historical Financial Information of the Project Company for the Track Record Period, the Project Company has consistently applied Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "HKFRSs") which are effective for its accounting period beginning on 15 May 2020 throughout the Track Record Period.

The Project Company presented net liabilities of RMB29,948 as at 31 August 2020 which was mainly resulted from the net loss incurred during the current period.

The directors of the Project Company have taken into account of (i) the Agreement with total capital injection of RMB4,000,000,000 which were made by Nanjing Huade and Merchants Nanjing in November 2020; and (ii) extension of shareholders' loans, the Project Company is able to meet its financial obligations to finance its operations in the coming twelve months from the date of the end of reporting period. The Historical Financial Information of the Project Company has been prepared on a going concern basis.



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Project Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021

The directors of the Project Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statements of the Project Company in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information had been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Project Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

#### **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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### **Taxation**

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

The tax currently payable is based on taxable profit during the period. Taxable profit differs from loss before tax as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Project Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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 rates (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 Project Company expects, at the end of the reporting period, to recover or settle the carrying amount of its 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Project Company considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual entity in its income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

#### **Property under development**

Property under development for future sale in the ordinary course of business 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 the estimated selling price in the ordinary course of business, which is estimated based on prevailing market conditions, less applicable variable selling expenses and the anticipated cost to completion, if any.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Project Company becomes 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 existing 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment under expected credit loss (“ECL”) model

The Project Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables and bank balance). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Project Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all existing instruments, the Project Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Project Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Financial liabilities and equity instruments*

Debts and equity instruments issued by the Project Company are classified either as 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Project Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities representing other payables, payable for acquisition of land use right and shareholders’ loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Project Company 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. If the Project Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Project Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Project Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Project Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

#### 4. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Project Company is 25%.

The income tax expense for the period can be reconciled to the loss for the period as follows:

	<b>For the period from 15 May 2020 (date of establishment) to 31 August 2020 RMB</b>
Loss for the period	(29,948)
Tax at the PRC EIT rate of 25%	(7,487)
Tax effect of tax losses not recognised	7,487
Income tax expense	<u><u>–</u></u>

The tax losses have not yet been approved by State Taxation Administration of the PRC. No deferred tax asset has been recognised on these immaterial unused tax loss.

#### 5. LOSS FOR THE PERIOD

	<b>For the period from 15 May 2020 (date of establishment) to 31 August 2020 RMB</b>
Loss has been arrived at after charging:	
Auditors' remuneration	–
Directors' emoluments	–
Employee benefits expenses	–
	<u><u>–</u></u>

#### 6. EARNINGS PER SHARE

No earnings per share for the Track Record Period is presented as its inclusion is considered not meaningful for the purpose of this report.

**7. DIVIDENDS**

No dividend was paid or declared by the Project Company for the Track Record Period.

**8. PROPERTY UNDER DEVELOPMENT**

The Project Company's property under development is situated in Qinhuai District of Nanjing, and is stated at the lower of cost and net realisable value.

**9. SHAREHOLDERS' LOANS**

Shareholders' loans were unsecured, interest bearing at the effective interest rate of 6% per annum and repayable in one year.

Borrowing costs capitalised to property under development were determined by the contracted interest rates. During the current period, RMB42,155,329 borrowing costs were incurred and capitalised.

**10. PAID-IN CAPITAL**

	<b>Paid-in capital</b>
	<i>RMB</i>
Registered and paid-up capital ( <i>Note</i> )	
At 31 August 2020	—

*Note:* Pursuant to the Agreement, the capital shall be payable after the Project Company has obtained the land use right of the Qinhuai Land. Capital injection subsequent to 31 August 2020 was disclosed in Note 15.

**11. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Project Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Project Company's statement of cash flows as cash flow from financing activities.

	<b>Shareholders' loans</b>
	<i>RMB</i>
At 15 May 2020 (date of establishment)	—
Financing cash flow	3,479,164,032
Finance costs incurred	42,155,329
	<hr/>
At 31 August 2020	3,521,319,361

**12. CAPITAL RISK MANAGEMENT**

The Project Company manages its capital to ensure that the Project Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Project Company's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Project Company consists of shareholders' loans, net of bank balance and equity attributable to owners of the Project Company comprising paid-in capital net of accumulated loss.

The directors of the Project Company reviews the capital structure periodically. The directors of the Project Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the new capital issues as well as the issue of new debts or the redemption of existing debts.

## 13. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	At 31 August 2020 RMB
<b>Financial assets</b>	
At amortised cost	28,758,396
<b>Financial liabilities</b>	
At amortised cost	6,981,519,361

## Financial risk management objectives and policies

The Project Company's major financial instruments include other receivables, bank balance, other payables, payable for acquisition of land use right and shareholders' loans. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risks (including interest rate risk), credit risk and liquidity risk, 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

The Project Company is primarily exposed to cash flow interest rate risk in relation to variable-rate interest bearing bank balance.

The Project Company's fair value interest rate risk relates primarily to its fixed-rate shareholders' loans.

The Project Company currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. However, management of the Project Company monitors interest rate exposure on an on-going basis and will consider hedging significant interest rate exposure should the need arise.

The Project 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.

## Sensitivity analysis

The management considered that interest rate risk of bank balance is insignificant.

*Credit risk*

The Project Company's principal financial assets are other receivables and bank balance which represent the Project Company's maximum exposure to credit risk in relation to financial assets.

The Project Company has concentration of credit risk in respect of bank balance. At 31 August 2020, all bank balance was deposited at China Construction Bank. The credit risk of this liquid funds is limited because the counterparty is a state-owned bank located in the PRC.

The credit risk on other receivables is limited because the balance of other receivables at 31 August 2020 is immaterial.

*Liquidity risk*

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

The following table details the Project Company'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 Project Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or within 1 year RMB	Total undiscounted cash flows RMB	Carrying amount RMB
<b>At 31 August 2020</b>				
<b>Non-derivative financial liabilities</b>				
Other payables	–	5,200,000	5,200,000	5,200,000
Payable for acquisition of land use right	–	3,455,000,000	3,455,000,000	3,455,000,000
Shareholders' loans	6.0	3,730,069,202	3,730,069,202	3,521,319,361
		<u>7,190,269,202</u>	<u>7,190,269,202</u>	<u>6,981,519,361</u>

**Fair value measurements of financial instruments**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Project Company consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.



**14. COMMITMENTS**

At the end of the reporting period, the Project Company had the following commitment contracted for but not provided in the financial statements in respect of:

	<b>At 31 August 2020</b> <i>RMB</i>
Construction of property under development	<u>38,904,232</u>

**15. SUBSEQUENT EVENTS**

The Project Company paid the second instalment of land costs of RMB3,455,000,000 to Nanjing Municipal Planning and Natural Resources Bureau and obtained the land use right certificate of the Qinhuai Land on 20 October 2020.

Nanjing Huade and Merchants Nanjing, the shareholders of the Project Company injected RMB2,200,000,000 and RMB1,800,000,000 to the Project Company for the registered capital respectively on 18 November 2020.

**16. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Project Company have been prepared in respect of any period subsequent to the end of the Track Record Period.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER  
THE COMPLETION OF THE CAPITAL CONTRIBUTION**

**(I) Basic of Preparation of the Unaudited Pro Forma Consolidated Financial  
Information of the Group after the completion of the capital contribution**

On 29 April 2020, Nanjing Huade Real Estate Co., Limited (“**Nanjing Huade**”) won a bidding in respect of the land use rights of a piece of land situated at Qinhuai District of Nanjing (the “**Qinhuai Land**”) at an aggregation consideration of RMB6,910,000,000. On 15 May 2020, Nanjing Huayao Real Estate Co., Ltd. (the “**Project Company**”) was established in the PRC by Nanjing Huade as a limited liability company for the sole purpose of developing the Qinhuai Land. Nanjing Huade subsequently entered into a land use right grant contract with the Nanjing Municipal Planning and Natural Resources Bureau on 26 May 2020 to become the sole beneficiary and developer of the Qinhuai Land. On 16 June 2020, Merchants Nanjing Real Estate Co., Ltd. (“**Merchants Nanjing**”), an indirect non-wholly owned subsidiary of the Company, entered into the Cooperation Agreement (“**Agreement**”) with Nanjing Huade and the Project Company for the development of the Qinhuai Land through the Project Company, pursuant to which Merchants Nanjing and Nanjing Huade have agreed to invest in the Project Company by way of capital contribution in the respective amount of RMB1,800,000,000 and RMB2,200,000,000 for registered capital of the Project Company and RMB2,434,890,000 and RMB2,975,977,000 for development of the Qinhuai Land through the Project Company. As at the date of the Agreement, Nanjing Huade holds 100% of the issued capital of the Project Company, which obtained the land use right in respect of the Qinhuai Land in October 2020. Upon the completion of the capital contribution, the shareholding of Merchants Nanjing and Nanjing Huade in the Project Company shall be 45% and 55%, respectively.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of the joint venture arrangement on the basis of notes set out below for illustrating the effect, as if the joint venture arrangement had taken place on 30 June 2020 for the preparation of the unaudited pro forma statement of assets and liabilities of the Group.

The information is prepared for illustrative proposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Group would have been upon the completion of the capital contribution in any future periods or on any future dates.

The unaudited pro forma statement of assets and liabilities of the Group after the completion of the capital contribution has been presented on a basis consistent with the accounting policies of the Group. It is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as extracted from the unaudited condensed consolidated financial statements set out in the latest published interim financial information of the Group and after making pro forma adjustments to the transaction, as if the transaction had completed on 30 June 2020.

<b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION</b>
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**(II) Unaudited Pro Forma Statement of assets and liabilities of the Group after the Completion of the capital contribution**

*Unaudited Pro Forma Statement of assets and liabilities of the Group*

	<b>The Group as at 30 June 2020</b> RMB'000 <i>Note 1</i>	<b>Pro forma Adjustment</b> RMB'000 <i>Note 2</i>	<b>Unaudited Adjusted Pro forma Total</b> RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	277,868	–	277,868
Right-of-use assets	66,699	–	66,699
Investment properties	4,138,552	–	4,138,552
Goodwill	160,210	–	160,210
Interests in associates	2,749,952	–	2,749,952
Interests in joint ventures	3,539,981	4,234,890	7,774,871
Financial asset at fair value through profit or loss	104,492	–	104,492
Deferred tax assets	1,037,779	–	1,037,779
Other receivables	1,252,182	–	1,252,182
	13,327,715	4,234,890	17,562,605
<b>Current assets</b>			
Properties for sale	50,363,361	–	50,363,361
Trade and other receivables	20,936,693	–	20,936,693
Deposit paid for acquisitions of land use rights	703,311	–	703,311
Contract costs	133,340	–	133,340
Prepaid tax	838,151	–	838,151
Bank balances and cash	8,468,524	(4,234,890)	4,233,634
	81,443,380	(4,234,890)	77,208,490
<b>Current liabilities</b>			
Contract liabilities	22,011,966	–	22,011,966
Trade and other payables	18,390,496	–	18,390,496
Bank and other borrowings	4,012,804	–	4,012,804
Tax payables	3,749,624	–	3,749,624
Loans from an intermediate holding company	2,551,453	–	2,551,453
Loans from non-controlling interests	780,555	–	780,555
Lease liabilities	27,849	–	27,849
	51,524,747	–	51,524,747
<b>Net current assets</b>	29,918,633	(4,234,890)	25,683,743
<b>Total assets less current liabilities</b>	43,246,348	–	43,246,348

<b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION</b>
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	<b>The Group as at 30 June 2020</b> <i>RMB'000</i> <i>Note 1</i>	<b>Pro forma Adjustment</b> <i>RMB'000</i> <i>Note 2</i>	<b>Unaudited Adjusted Pro forma Total</b> <i>RMB'000</i>
<b>Non-current liabilities</b>			
Loans from non-controlling interests	2,730,322	–	2,730,322
Bank and other borrowings	8,680,077	–	8,680,077
Bonds payable	1,900,000	–	1,900,000
Lease liabilities	280,441	–	280,441
Deferred tax liabilities	367,841	–	367,841
	13,958,681	–	13,958,681
Net assets	13,958,681	–	13,958,681
	29,287,667	–	29,287,667

*Notes:*

1. For the preparation of unaudited pro forma statement of assets and liabilities of the Group after the completion of the capital contribution, the amounts are extracted from the latest published unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 of which no audit or review report has been published.
  
2. On 16 June 2020, the Group entered into the joint venture agreement with Nanjing Huade Real Estate Co., Limited and the Project Company pursuant to which the Group has agreed to invest in the Project Company by way of capital contributions in an aggregate amount of RMB4,234,890,000.

The Group has the right to appoint one out of three directors in the board of the Project Company. The investment is accounted for as joint venture as the decision making process about the relevant material activities of the Project Company requires unanimous approval pursuant to the Agreement.

Assuming the capital contribution was completed and the joint venture arrangement was started on 30 June 2020, the interests in joint ventures will be increased based on the consideration of the transaction of RMB4,234,890,000 with the assumption that the fair value of the net assets of the Project Company before the capital injection approximates the carrying amount of those assets and liabilities reflected in the financial statements of the Project Company as at 31 August 2020 as shown in Appendix II — Accountants' Report of the Project Company.

3. No adjustment has been made to reflect the trading results or any other transaction of the Group entered into subsequent to 30 June 2020.

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*



## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the Directors of China Merchants Land Limited

We have completed our assurance engagement to report on the compilation of unaudited 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 unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2020 and related notes as set out on pages III-1 to III-3 of the circular issued by the Company dated 18 December 2020 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 45% of the equity interest of Nanjing Huayao Real Estate Co., Ltd. on the Group's financial position as at 30 June 2020 as if the transaction had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, on which no auditor's report or review report has been published.

### Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited 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**").

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited 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 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

<b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF THE CAPITAL CONTRIBUTION</b>
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The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

### **Opinion**

In our opinion:

- (a) the unaudited 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

18 December 2020

**MANAGEMENT DISCUSSION AND ANALYSIS ON THE PROJECT COMPANY**

The management discussion and analysis on the Project Company for the period from 15 May 2020 (date of establishment) to 31 August 2020 (the “Tracking Period”) are set out below.

**Business Review and Prospects**

The Project Company was established on 15 May 2020 and registered in the People’s Republic of China (the “PRC”). Its immediate holding companies are 南京鐸得房地產開發有限公司 and 招商局地產(南京)有限公司, both are established in the PRC. The Project Company engages in the business of property development.

**Financial Review***Other Comprehensive Income*

During the Tracking Period, the administrative expenses of the Project Company amounted to RMB30,373, which mainly represented general office expenses. During the same period, bank interest income of RMB425 was recorded. Hence, the loss and total comprehensive expense for the Tracking Period was RMB29,948.

*Assets and Liability*

As at 31 August 2020, the total assets of the Project Company were approximately RMB6.98 billion, of which RMB6.95 billion, or over 99.5%, was property under development, this mainly reflected the value of the Qinhuai Land. The total liabilities of the Project Company were equal to the value of its total assets of approximately RMB6.98 billion, which was mainly made up of loans from shareholders and payable for acquisition for land use right.

*Liquidity and Capital Resources*

The Project Company primarily uses its cash to pay for its general office expenses and the costs in property under development. The Project Company has financed its liquidity requirements primarily through shareholders’ loans.

Bank balances of the Project Company are mainly denominated in RMB. As at 31 August 2020, bank balances of the Project Company amounted to approximately RMB28.7 million.

As at 31 August 2020, the Project Company had interest-bearing borrowings (including the principal and interest) from its shareholders with aggregate amount of approximately RMB3,521 million.



*Gearing Ratio*

As at 31 August 2020, the Project Company had current liabilities of approximately RMB6,981.5 million. Accordingly, the gearing ratio at 31 August 2020 was approximately 100%.

*Charge on Assets*

As at 31 August 2020, the Project Company did not have any charges over assets.

*Contingent Liabilities*

As at 31 August 2020, the Project Company did not have any contingent liabilities.

*Plans for Material Investments or Purchase of Capital Assets*

As at 31 August 2020, the Project Company did not have any plans for material investments or purchase of capital assets.

*Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates*

For the Tracking Period, the Project Company did not have any significant investments, material acquisitions or disposals of subsidiaries or associates.

*Exposure to Exchange Rate Fluctuations*

For the Tracking Period, most of the business transactions, assets and liabilities of the Project Company were denominated in RMB. The Project Company did not have any material foreign currency exposure during the relevant periods and did not hold any financial instruments for hedging purposes.

*Employees and Remuneration Policies*

As of 31 August 2020, there were no employees under the Project Company.

*Future Plans*

The Project Company intends to develop and make sales of the Qinhuai Land which is expected to be completed by the end of 2023. When the residential development is approved for pre-sale by the authorities, it will generate revenue and cash inflows.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Qinhuai Land held by Nanjing Huayao Real Estate Co., Ltd.\* (南京鐸耀房地產開發有限公司) in the PRC as at 31 October 2020.



16/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

18 December 2020

The Board of Directors  
China Merchants Land Limited  
Room 2603 to 2606, 26/F  
China Merchants Tower, Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

**Re: Qinhuai Land – a piece of land situated at south of Ningwu Railway, west of Youyihe Road, north of Guanghua Road, Qinhuai District, Nanjing City, Jiangsu Province, the People’s Republic of China**  
秦淮地塊 – 一幅位於中國江蘇省南京市秦淮區南至寧蕪鐵路、西至友誼河路、北至光華路之地塊

#### INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from China Merchants Land Limited (the “**Company**”) for us to carry out the valuation of the market value of the Qinhuai Land held by Nanjing Huayao Real Estate Co., Ltd.\* (南京鐸耀房地產開發有限公司) (the “**Project Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Qinhuai Land in existing state as at 31 October 2020 (the “**Valuation Date**”).

#### DEFINITION OF MARKET VALUE

Our valuation of the Qinhuai Land represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “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 and where the parties had each acted knowledgeably, prudently and without compulsion”.

\* Unofficial English translation denotes for identification purposes only.

**VALUATION BASIS & ASSUMPTIONS**

Our valuation of the Qinhuai Land excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the Qinhuai Land held by the Project Company in the PRC, with reference to the PRC legal opinion of the Company's legal adviser, JunHe LLP (北京市君合律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Qinhuai Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion, dated 18 December 2020, regarding the title to the Qinhuai Land and the interests in the Qinhuai Land. In valuing the Qinhuai Land, we have prepared our valuation on the basis that the owners have enforceable title to the Qinhuai Land and have free and uninterrupted rights to use, occupy or assign the Qinhuai Land for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Qinhuai Land nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Qinhuai Land is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**METHOD OF VALUATION**

In valuing the Qinhuai Land, which is held by the Project Company for development in the PRC, we have adopted Market Comparison Method assuming sale with the benefit of vacant possession and by making reference to comparable sales evidence as available on the market.

Market Comparison Method is a commonly used valuation method for vacant land, there are relevant comparable land sales evidence for reference to arrive at the market value. This method rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar land, subject to allowances for variable factors. We consider the market value arrived at by Market Comparison Method is reliable; thus we have not used other valuation methods like residue method. Such approach is in line with the market practice.

In valuing the Qinhuai Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017.

## SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Qinhuai Land, particulars of occupancy, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

## TITLE INVESTIGATION

We have been provided by the Company with copies of documents in relation to the current title to the Qinhuai Land. However, we have not been able to conduct searches to verify the ownership of the Qinhuai Land; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Qinhuai Land in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company.

## SITE INSPECTION

Our valuer of Nanjing office, Huang Hui 黃輝 (a China Real Estate Appraiser with 20 years' of property valuation), has inspected the exterior of the Qinhuai Land in July 2020. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor area of the Qinhuai Land and we have assumed that the areas shown on the copies of documents handed to us are correct.

## CURRENCY

Unless otherwise stated, all sums stated in our valuation is in Renminbi, the official currency of the PRC.

**MARKET UNCERTAINTY ALERT**

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Qinhuai Land is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

We attach herewith a valuation report.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**  
**Philip C Y Tsang**  
*Registered Professional Surveyor (General Practice)*  
*Registered China Real Estate Appraiser*  
MSc, MHKIS  
*Director*

*Note:* Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in the PRC.

## VALUATION REPORT

## Qinhuai Land held by the Project Company for development in the PRC

Qinhuai Land	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020
Qinhuai Land – a piece of land situated at south of Ningwu Railway, west of Youyihe Road, north of Guanghua Road, Qinhuai District, Nanjing City, Jiangsu Province, the PRC	<p>The Qinhuai Land is planned as a commercial residential development to be erected on a piece of land with a site area of approximately 92,687.54 sq.m..</p> <p>The Qinhuai Land has a permitted plot ratio of not more than 2.5; the permitted plot ratio area is approximately 231,719 sq.m.. Upon completion, the Project Company has to provide 9,848 sq.m. talent house (人才房) to Qinhuai District Government free. Thus, the net plot ratio area to the Project Company is approximately 221,871 sq.m..</p>	The Qinhuai Land is a vacant land pending for development.	<p>RMB6,900,000,000 (RENMINBI SIX BILLION NINE HUNDRED MILLION)</p> <p>(45% interest attributable to the Company: RMB3,105,000,000 RENMINBI THREE BILLION ONE HUNDRED FIVE MILLION)</p>
	<p>The Qinhuai Land is located at south of Ningwu Railway, west of Youyihe Road, north of Guanghua Road, Qinhuai District, Nanjing City, Jiangsu Province. Developments nearby are mainly commercial and residential development. According to the Company, the Qinhuai Land is for commercial and residential uses; there is no environmental issues and litigation dispute; there is no plan to change the use of the Qinhuai Land.</p>		<p>The valuation is prepared on the basis that the Certificate of Real Estate Ownership would be obtained in due course.</p>
	<p>The land use rights of the Qinhuai Land have been granted for a term of 70 years for residential, 40 years for commercial.</p>		

## Notes:

- (1) According to Grant Contract for State-owned Construction Land Use Rights No. 3201012020CR0021 dated 15 May 2020:

Grantor:	Nanjing Municipal Planning and Natural Resources Bureau (南京市規劃和自然資源局) (“ <b>Nanjing Bureau</b> ”)
Grantee:	Nanjing Huade Real Estate Co., Limited* (南京鐸得房地產開發有限公司) (“ <b>Nanjing Huade</b> ”)
Lot No.:	2020G05
Qinhuai Land:	A piece of land situated at south of Ningwu Railway, west of Youyihe Road, north of Guanghua Road, Qinhuai District
Total Site Area:	Approximately 92,687.54 sq.m.
Usage of Land Use Rights:	Commercial and residential usage (mixed)
Permitted Plot Ratio:	Not more than 2.5
Land Price:	RMB6,900,000,000 comprising: <ol style="list-style-type: none"> <li>(1) the Deposit of RMB1,306,000,000 which has been paid by Nanjing Huade on 28 April 2020;</li> <li>(2) the first instalment of RMB3,455,000,000 which has been paid by Nanjing Huade on 28 May 2020 (part of which is formed by the Deposit) (the “<b>First Instalment</b>”); and</li> <li>(3) the second instalment of RMB3,455,000,000 payable before 29 October 2020 (the “<b>Second Instalment</b>”).</li> </ol>
Land use term:	70 years for residential, 40 years for commercial.
Land hand over to the Grantee:	Before 9 November 2020.
Certificate of Real Estate Ownership:	Within 30 days of land hand over, the Grantee can present the land price full payment evidence to the Grantor to process the application of real estate title registration and obtain the Certificate of Real Estate Ownership.
Building covenant:	To commence construction before 9 May 2021; to complete construction before 9 November 2023.  Upon completion, to provide 9,848 sq.m. talent house (人才房) to Qinhuai District Government free.

- (2) According to Approval (2020)359 dated 26 May 2020, Nanjing Bureau granted consent to change the Grantee as the Project Company, a company established in the PRC with limited liability on 15 May 2020 by Nanjing Huade for the sole purpose of developing the Qinhuai Land.

- (3) According to the Cooperation Agreement dated 16 June 2020, China Merchants Property (Nanjing) Limited\* (招商局地產(南京)有限公司) (“**Merchants Nanjing**”), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company, entered into the Cooperation Agreement with Nanjing Huade and the Project Company for the development of the Qinhuai Land through the Project Company:
- (i) Nanjing Huade shall transfer 45% of the equity interest in the Project Company to Merchants Nanjing without premium, upon which the Project Company shall be held by Merchants Nanjing and Nanjing Huade as to 45% and 55%, respectively;
  - (ii) Merchants Nanjing and Nanjing Huade shall develop the Qinhuai Land through the Project Company, which shall be the sole beneficiary and developer of the Qinhuai Land;
  - (iii) Merchants Nanjing and Nanjing Huade shall bear the Land Price, tax, expenses and total investment amount in connection to the development of the Qinhuai Land in proportion to their respective shareholdings in the Project Company of 45% and 55%, respectively;
  - (iv) the initial registered capital of the Project Company of RMB20,000,000 shall be increased to RMB4,000,000,000, which shall be contributed and held by each of Merchants Nanjing and Nanjing Huade according to their respective shareholdings in the Project Company of 45% and 55%, respectively;
  - (v) Merchants Nanjing and Nanjing Huade shall share the profits of the Project Company in proportion to their respective shareholdings in the Project Company.
- (4) According to the PRC legal opinion:
- (i) The content of the Grant Contract for State-owned Construction Land Use Rights between the Project Company and the Grantor does not violate the mandatory provisions of laws and administrative regulations, and is legally binding on both parties;
  - (ii) The Project Company has fully paid the Land Price of Lot No. 2020G05;
  - (iii) There are no restrictions on rights such as mortgages, seizures, and freezes on the Qinhuai Land; and
  - (iv) According to the Cooperation Agreement, Nanjing Huade shall transfer 45% of the equity interest in the Project Company to Merchants Nanjing without premium, upon which the Project Company shall be held by Merchants Nanjing and Nanjing Huade as to 45% and 55%, respectively. Nanjing Huade and Merchants Nanjing will jointly invest, operate, share risks, and share benefits in the joint development of the Qinhuai Land in accordance with the equity ratio.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:
- |   |     |
|---|-----|
| Certificate of Real Estate Ownership                        | No  |
| Grant Contract for State-owned Construction Land Use Rights | Yes |
- (6) In valuing the Qinhuai Land, which is held for development in the PRC, we have adopted Market Comparison Method. We have made reference to some land comparable in Nanjing. The accommodation value of these land comparable ranges from RMB26,114 to RMB35,274 per sq.m.. The accommodation value assumed by us are consistent with the said land comparable. Due adjustments to the accommodation value of those land comparable have been made to reflect factors including but not limited to time, location, and other characteristics between the land comparable and the Qinhuai Land in arriving at an assume accommodation value.



## 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*

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

*Note:* These shares are directly held by Skill China Limited (“Skill China”) which is controlled 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 is a company incorporated in the British Virgin Islands with limited liability.

*Long positions in underlying Shares of associated corporation*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of underlying Shares involved (Note)</b>	<b>Approximately percentage (%) in the associated corporation</b>
XU Yongjun	Beneficial owner	359,466 <sup>2</sup>	0.00%
HUANG Junlong	Beneficial owner	124,000 <sup>2</sup>	0.00%
LIU Ning	Beneficial owner	148,601 <sup>2</sup>	0.00%
YU Zhiliang	Beneficial owner	133,334 <sup>1</sup> 23,305 <sup>2</sup>	0.00%

*Notes:*

1. These are the underlying Shares involved in the share options granted by CMSK (an intermediate controlling shareholder of the Company indirectly holding 3,646,889,329 Shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. YU Zhiliang.
2. These are the shares of CMSK, an intermediate controlling shareholder.

Save as disclosed above, 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, each of 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 Chairman 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**

As at the Latest Practicable Date, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and 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 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 since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up).

#### **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. SERVICES CONTRACTS**

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

#### **7. 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.

## 8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have been named in this circular:

<b>Name</b>	<b>Qualifications</b>
Cushman & Wakefield	a registered professional surveyor and an Independent Property Valuer
Deloitte Touche Tohmatsu	Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts:

- (a) did not have any shareholding, either directly or indirectly, in any member of the Group;
- (b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited accounts of the Company were made up).

The reports from Deloitte Touche Tohmatsu dated 18 December 2020 set out in Appendices II and III to this circular and the valuation report from Cushman & Wakefield dated 18 December 2020 set out in Appendix V to this circular were given for information in this circular.

**9. GENERAL**

- a. The English text of this circular shall prevail over the Chinese text.
- b. The company secretary of the Company is Mr. Ng Ho. Mr. Ng holds a Master of Business degree from Monash University in Australia and is an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He has over 6 years of experience in compliance and listed company secretarial practice.
- 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 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**10. 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 capital increase agreement entered into between Guangzhou Merchants Property Development Limited\* (廣州招商房地產有限公司) (“**Guangzhou Merchants**”), a subsidiary of the Company, Foshan Qinghao Real Estate Co., Ltd.\* (佛山市清皓置業有限公司) (“**Foshan Qinghao**”) and Poly Southern China Industry Co., Ltd.\* (保利華南實業有限公司) (“**Poly Southern China**”) on 24 November 2020 for the development of land through Foshan Qinghao and the increase in the registered capital of Foshan Qinghao from RMB50,000,000 to RMB3,250,000,000, which shall be contributed as to 50% by Guangzhou Merchants and 50% by Poly Southern China, respectively;
- b. a cooperation and development agreement entered into between China Merchants Land (Shenzhen) Co., Ltd.\* (招商局置地(深圳)有限公司), a subsidiary of the Company, and Minmetals Shengshi Guangye (Beijing) Co., Ltd.\* (五礦盛世廣業(北京)有限公司) on 28 October 2020 in relation to among other things, the formation of Guangzhou Kuangyu Investment Co., Ltd.\* (廣州市礦譽投資有限公司) for the purpose of acquiring interest in and the joint development of the project land;
- c. the Cooperation Agreement;

- d. a guarantee agreement entered into between the Company and Bank of China (Hong Kong) Limited (the “**Bank**”) on 16 December 2019, pursuant to which the Company agreed to provide guarantee for the due performance of the repayment obligations of Sky Castle Limited (the “**Borrower**”), a company owned as to 40% by Sino Land Company Limited, 30% by K. Wah International Holdings Limited and 30% by the Company, in respect of the term loan facilities for the principal amount of up to HK\$5,273,000,000 provided by the Bank to the Borrower under a facility agreement dated 6 December 2019;
- e. a re-amended and restated non-competition deed entered into between the Company and CMSK on 21 October 2019, pursuant to which the Group will have the rights to participate in the REIT Management Business for REITs with underlying properties permitted to be situated in or come from all over the PRC on an exclusive basis and the Company in return are entitled to receive cash and/or units in the REITs; and
- f. an amended and restated non-competition deed entered into between the Company and CMSK on 17 December 2018, pursuant to which the businesses of CMSK and its subsidiaries (excluding the Group) and the Group are delineated by geographical delineation.

#### 11. 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, for a period of 14 days from the date of this circular:

- a. the memorandum and articles of association of the Company;
- b. the letter from the Board dated 18 December 2020, the text of which is set out on pages 4 to 10 of this circular;
- c. the annual reports of the Company for the three years ended 31 December 2019;
- d. the interim report of the Company for the six months ended 30 June 2020;
- e. the accountants’ report of the Project Company dated 18 December 2020, the text of which is set out in Appendix II to this circular;
- f. the report on the unaudited pro forma financial information of the Group after the completion of the capital contribution dated 18 December 2020, the text of which is set out in Appendix III to this circular;

- g. the valuation report of Cushman & Wakefield dated 18 December 2020, the text of which is set out in Appendix V to this circular;
- h. the material contracts referred to in the paragraph headed “10. Material Contracts” in this appendix;
- i. the letter of consent from Deloitte Touche Tohmatsu dated 18 December 2020 referred to in the above paragraph headed “8. Experts and consents” in this appendix;
- j. the letter of consent from Cushman & Wakefield dated 18 December 2020 referred to in the above paragraph headed “8. Experts and Consents” in this appendix; and
- k. each of the circular issued by the Company pursuant to the requirements set out in Chapters 14 and 14A of the Listing Rules which has been issued since 31 December 2019, being the date of the latest audited accounts of the Company, including this circular.