

China Merchants Property Development Co., Ltd.

Announcement on the Related Transaction

The members of the Board and the Company accept the responsibilities for the truthfulness, accuracy, and completeness of the announcement. There isn't any false record, misleading statement or significant omission carried in this announcement.

I. Overview of the related transaction

The Company planned to sign the *Cooperation Framework Agreement on Jointly Purchasing the Shenyang Olympic Sports Project* with China Merchants Kunlun Equity Investment Management Co., Ltd. (hereinafter referred to as “China Merchants Kunlun”), so as to stipulate the relationship between China Merchants Kunlun and Ganzhou Yuankang Investment Partnership (hereinafter referred to as “Ganzhou Yuankang”) and the principle for the cooperation with China Merchants Kunlun. The Company plans to sign the *Investment Cooperation Agreement on Shenyang Jindao Huitong Property Development Co., Ltd.* with Ganzhou Yuankang, so as to stipulate the main articles of the cooperation between the two parties. The Company plans to sign the *Framework Agreement on the Equity Transfer and Debt Settlement Arrangement of Shenyang Jindao Huitong Property Development Co., Ltd.* with three sides including Ganzhou Yuankang and Jin hui China holding Co., Ltd, so as to stipulate the turnover and payment method etc. According to the agreement stipulations, the Company and Ganzhou Yuankang jointly invest to purchase 100% equity of Shenyang Jindao Huitong Property Development Co., Ltd. (hereinafter referred to as the “target company”), 51% equity of the target company is transferred to China Merchants Property Development, and 49% equity of the target company is transferred to Ganzhou Yuankang.

The actual controllers of the Company, China Merchants Kunlun and Ganzhou Yuankang are China Merchants Group Co., Ltd., and this transaction is a related transaction. This transaction is not a major assets restructuring prescribed in the *Regulations on the Major Assets Restructuring of the Listed Companies*.

The Notice on the 14th Temporary Meeting in 2014 of the 7th Board of Directors of the Company was delivered to all the Directors, Supervisors and senior management via special person delivery and email etc. on October 8, 2014. On October 10, 2014, the Meeting was held through communication, 11 Directors shall have attended the Meeting and 11 Directors actually attended the Meeting. The calling and holding of the Meeting comply with the provisions of the related laws, regulations and Company Statute. Five related Directors avoided the voting, and the non-related Directors examined and approved the *Proposal on the Related Transaction of Jointly Investing on the Shenyang Olympic Sports Project with Ganzhou Yuankang* with 6 concurring votes, 0 dissenting vote and 0 abstention vote.

II. Basic condition of the related parties

China Merchants Kunlun was established on September 19, 2011. Registered address: Room 3-10, No.37 Beisi East Road, Shihezi Development Zone, Xinjiang. Legal representative: Hong Xiaoyuan. Registered capital: RMB 50 million Yuan. Main Businesses: accepting entrustment to manage equity investment projects, participating in equity investment, and providing the related services of direct financing for the non-listed and listed companies. The main shareholders are China Merchants Capital Management Co., Ltd. (80% equity) and Xinjiang Production and Construction Group Co., Ltd. (20% equity). The actual controller is China Merchants Group Co., Ltd.

Ganzhou Yuankang is a partnership, and at present, the general partner is Ganzhou Zhaoyuan Investment Management Co., Ltd. (hereinafter referred to as “Ganzhou Zhaoyuan”), and the limited partner is Beijing Zhiyuan Lixin Investment Management Co., Ltd. Recently, Ganzhou Yuankang has been performing industrial

and commercial change, and after the change is completed, China Merchants Kunlun and Ganzhou Zhaoyuan will become the general partner and the managing partner of Ganzhou Yuankang, and Zhongxinjian China Merchants Equity Investment Co., Ltd. and Ganzhou China Merchants Zhiyuan No.1 Equity Investment Partnership will become the limited partners of Ganzhou Yuankang.

Registered address of Ganzhou Yuankang: Office 17, Building 39, Jinxiu New World, No.89 Yingbin Avenue, Ganzhou. Scope of business: enterprise project investment management (except finance, securities, precious metal, insurance and futures); (if the state laws and regulations have special provisions for engaging in the above-mentioned operation items, handles according to the provisions). The total subscribed capital contribution of Ganzhou Yuankang is RMB 294.2 million Yuan, which is paid by all the partners.

Ganzhou Zhaoyuan was established on October 14, 2013. Registered address: Office Building, No.39, Jinxiu New World, No.89 Yingbin Avenue, Ganzhou. Legal representative: Jia Zuguo. Registered capital: RMB 10 million Yuan. Main businesses: enterprise project investment, management and consulting, enterprise financial consulting (except agency bookkeeping, finance, securities, futures, insurance and precious metal, and if the state laws and regulations have special provisions for engaging in the above-mentioned operation items, follows the provisions). The main shareholder is China Merchants Zhiyuan Capital Investment Co., Ltd. (100% equity). The actual controller is China Merchants Group Co., Ltd.

III. Basic condition of the related transaction target

(I) Basic condition of the transaction target

Company name: Shenyang Jindao Huitong Property Development Co., Ltd.

Registered capital: \$88 million USD

Paid-up capital: \$30.192354 million USD

Legal representative: Liu Hao

Address: Room B501, Building F7, No.860-2 (501, Gate 2) Shangshengou

Village, Dongling District, Shenyang

Company type: limited liability company (sole proprietorship of Taiwan, Hong Kong or Macau legal person)

Shareholder: Jinhui China Holdings Co., Ltd. (100%)

Scope of business: property development, rental of self-owned proprietary housing

Main assets: inventory-land use right (Shenyang Olympic Sports Project)

State-Owned Land Use Certificate No.: Dong Ling Guo Yong (2014) No.1002

Land location: No.7 Yingpan North Street, Dongling District, Shenyang

Land area: 31,299.3 square meters

Plot ratio: 7.0

Building area: 219,095.1 square meters

Land use right expiry date: December 19, 2053

Land property: business and service land.

(II) Main financial data of the target company

The financial condition of the target company from January to June 2014 is as shown in the table below:

Amount unit: RMB Yuan		
No.	Item name	Book value
1	Total of current assets	439,331,705.96
2	Monetary capital	2,063,304.88
3	Other receivables	50,000.00
4	Inventory	437,218,401.08
5	Total of assets	439,331,705.96
6	Total of current liabilities	254,028,067.06
7	Other payables	254,028,067.06
8	Total of liabilities	254,028,067.06
9	Net assets	185,303,638.90

(III) Assets appraisal condition

China Tong Cheng Assets Appraisal Co., Ltd. adopted the asset-based approach to have conducted appraisal on the target company, and presented the appraisal report numbered Zhong Tong Ping Bao Zi (2014) No.205. The appraisal result is: On the

base date of assets appraisal (June 30, 2014), the book value of the assets of Shenyang Jindao Huitong Property Development Co., Ltd. is RMB 439.3317 million Yuan, the book value of the liabilities is RMB 254.0281 million Yuan, the book value of the net assets is RMB 185.3036 million Yuan, the appraisal value of the assets is RMB 505.5488 million Yuan, the appraisal value of the liabilities is RMB 254.0281 million Yuan, and the appraisal value of the net assets is RMB 251.5207 million Yuan. The appraisal value of the assets is RMB 66.2171 million Yuan more than the book value, and the growth rate is 15.07%. The appraisal value of the net assets is RMB 66.2171 million Yuan more than the book value, and the growth rate is 35.73%. For the detailed condition of the appraisal conclusion, see the table below:

Summary Table of the Assets Appraisal Result

Base date of assets appraisal: June 30, 2014

Evaluated unit: Shenyang Jindao Huitong Property Development Co., Ltd.

Amount unit: RMB 0,00
0 Yuan

Item	Book value	Appraisal value	Increase or decrease in value	Growth rate
	A	B	C=B-A	D=C/A ×100%
Current assets	43,933.17	50,554.88	6,621.71	15.07%
Total of assets	43,933.17	50,554.88	6,621.71	15.07%
Current liabilities	25,402.81	25,402.81	0.00	0.00%
Total of liabilities	25,402.81	25,402.81	0.00	0.00%
Net assets (all the equities of the shareholders)	18,530.36	25,152.07	6,621.71	35.73%

IV. Pricing principle and basis of the transaction

The related transaction between the Company and the related parties follows the provisions of the related laws, regulations and policies of the state, and follows the principle of fair, just and negotiation agreement. The equity value of the above-mentioned transaction target has the appraisal result of the *Land Valuation Report* (Zhong Tong Ping Bao Zi (2014) No.205) with August 15, 2014 as the base date of assets appraisal presented by the valuation institution China Tong Cheng Assets Appraisal Co., Ltd. as the pricing basis. As the transferees, China Merchants Property Development and Ganzhou Yuankang contributed RMB 128.265 million

Yuan and 123.235 million Yuan respectively, and accepted 51% equity and 49% equity of the target company respectively.

V. Main content of the transaction agreement

(1) China Merchants Property Development and Ganzhou Yuankang contributed RMB 128.265 million Yuan and 123.235 million Yuan respectively, and accepted 51% equity and 49% equity of the target company respectively. All the payments were made in cash.

After China Merchants Property Development and Ganzhou Yuankang became the shareholders of the target company, they reduced the registered capital of the target company from \$88 million USD to RMB 0.35 billion Yuan. The paid-in capital paid by China Merchants Property Development to the target company is RMB 178.50 million Yuan, and the paid-in capital paid by Ganzhou Yuankang to the target company is RMB 171.50 million Yuan.

According to the actual operation need and the capital use plan agreed upon by the two shareholders, the target company can require the two shareholders to provide the shareholder loan with the total amount not exceeding RMB 687.5 million Yuan to the target company according to their share holding proportions.

(2) Coming-into-force articles

Coming-into-force conditions for the three agreements: China Merchants Kunlun and Ganzhou Zhaoyuan become the general partner and managing partner of Ganzhou Yuankang; Zhongxinjian China Merchants Equity Investment Co., Ltd. and Ganzhou China Merchants Zhiyuan No.1 Equity Investment Partnership become the limited partners of Ganzhou Yuankang; Ganzhou Yuankang delivers the new business license recording the afore-mentioned content and the copy of Ganzhou Yuankang Partnership Agreement confirmed by the signature and seal of the industrial and commercial department to China Merchants Property Development.

(3) Operation and investment arrangement of the target company

After China Merchants Property Development and Ganzhou Yuankang complete the purchase of the target company, China Merchants Property Development and Ganzhou Yuankang input according to their equity proportions, share the interest and jointly shoulder the risks. China Merchants Property Development merges with the financial statements of the target company. China Merchants Property Development is in charge of the project operation and management, China Merchants Property Development designates the Chairman and the General Manager, and China Merchants Kunlun designates the Deputy Chairman and the Deputy General Manager.

VI. Transaction purpose and impact on the listed company

China Merchants Property Development purchasing 51% equity of the above-mentioned target company this time is the need of the Company strategically entering Shenyang. As the largest provincial capital city of the three provinces in the northeast of China, the population and economic foundation of Shenyang is good, the sales volume of the property market is significant, and entering Shenyang is the established strategy of the Company. The project this time is the business project in the mature section of the city new area, and the land price is reasonable. This is the first project in Shenyang, which can more adequately train the team, and it is good for the Company to continue deep ploughing in Shenyang in the future. The Company and Ganzhou Yuankang jointly investing to enter Shenyang can bring the stock operation advantage of the Company and the capital advantage of the cooperative party into full play, complement each other's advantages and achieve win-win.

VII. Total amount of all the related transactions with the related person from the beginning of this year to the disclosure day accumulatively

From the beginning of this year to the disclosure day, except this related transaction, the Company and its subsidiary companies did not have related transactions with the related parties.

VIII. Prior approval and independent opinions of the Independent Directors

The Independent Directors Chai Qiang, Liu Hongyu, Lu Weixiong and Zhang Wei approved this related transaction in advance. They think that the target of this transaction has the appraisal value as the pricing basis, which follows the principle of public and fair, and complies with the provisions of the related laws and regulations and the Company Statute. The transaction this time complies with the fundamental interest of the Company, and there are no situations of harming the interests of the Company and all the shareholders, especially the non-related shareholders and medium and small shareholders.

IX. Directory of the documents for future reference

1. Announcement on the Resolutions of the 14th Temporary Meeting in 2014 of the 7th Board of Directors;
2. Prior Approval Opinion of the Independent Directors on the Related Transaction Matter of the Company and Ganzhou Yuankang Jointly Investing on the Shenyang Olympic Sports Project;
3. Independent Opinions of the Independent Directors on the Related Transaction Matter of the Company and Ganzhou Yuankang Jointly Investing in the Shenyang Olympic Sports Project;
4. Land Valuation Report;
5. *Cooperation Framework Agreement on Jointly Purchasing the Shenyang Olympic Sports Project;*
6. *Investment Cooperation Agreement on Shenyang Jindao Huitong Proeprty Development Co., Ltd.;*
7. *Framework Agreement on the Equity Transfer and Debt Settlement Arrangement of Shenyang Jindao Huitong Property Development Co., Ltd.*

We hereby publish the announcement.

China Merchants Property Development Co., Ltd.

Board of Directors

October 13, 2014