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CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of China Merchants Land Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	3	18,956,418	19,453,295
Cost of sales		<u>(14,236,842)</u>	<u>(13,123,667)</u>
Gross profit		4,719,576	6,329,628
Other income	5	268,044	370,897
Net foreign exchange gains		72,902	44,482
Selling and marketing expenses		(673,586)	(507,007)
Administrative expenses		(202,843)	(247,011)
Allowance of expected credit losses on amounts due from associates and joint ventures		(187,294)	–
Fair value gain on financial asset at fair value through profit or loss (“FVTPL”)		2,407	3,031
Gain on disposal of a joint venture		–	18,013
Gain on disposal of subsidiaries		81,577	204
Share of profits of associates		195,728	433,017
Share of profits of joint ventures		13,942	40,423
Finance costs	6	<u>(685,307)</u>	<u>(733,006)</u>

	<i>NOTES</i>	2020 RMB'000	2019 <i>RMB'000</i>
Profit before tax	8	3,605,146	5,752,671
Income tax expense	7	(2,091,701)	(3,052,935)
Profit for the year		1,513,445	2,699,736
Other comprehensive (expense) income, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(44,011)	14,190
Total comprehensive income for the year		1,469,434	2,713,926
Profit for the year attributable to:			
Owners of the Company		701,260	1,794,470
Non-controlling interests		812,185	905,266
		1,513,445	2,699,736
Total comprehensive income for the year attributable to:			
Owners of the Company		657,249	1,808,660
Non-controlling interests		812,185	905,266
		1,469,434	2,713,926
Earnings per share		RMB cents	RMB cents
Basic	<i>10</i>	14.30	36.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		At 31 December	
		2020	2019
	NOTES	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		272,778	289,943
Right-of-use assets		202,910	32,275
Investment properties		3,266,458	4,065,318
Goodwill		160,210	160,210
Interests in associates		8,102,901	2,232,629
Interests in joint ventures		3,551,133	3,528,493
Financial asset at FVTPL		106,899	104,492
Other receivables		4,583,367	3,200,762
Deferred tax assets		953,844	1,022,890
		<u>21,200,500</u>	<u>14,637,012</u>
Current assets			
Properties for sale		50,168,069	47,057,932
Deposits paid for acquisitions of land use rights		444,838	–
Trade and other receivables	11	28,059,097	17,191,986
Contract costs		371,470	72,942
Prepaid income tax		1,063,094	504,240
Bank balances and cash		9,718,815	8,957,799
		<u>89,825,383</u>	<u>73,784,899</u>
Current liabilities			
Contract liabilities		23,798,352	14,288,848
Trade and other payables	12	31,289,620	18,338,632
Lease liabilities		31,980	22,521
Loans from non-controlling interests		1,722,334	736,546
Loans from an intermediate holding company		1,796,823	3,098,298
Bank borrowings		6,128,418	1,289,292
Bond payable		1,900,000	–
Income tax payable		4,197,466	4,350,852
		<u>70,864,993</u>	<u>42,124,989</u>
Net current assets		<u>18,960,390</u>	<u>31,659,910</u>
Total assets less current liabilities		<u>40,160,890</u>	<u>46,296,922</u>

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Loans from non-controlling interests	765,817	3,262,640
Loan from an intermediate holding company	200,000	200,000
Bank borrowings	6,979,382	11,474,256
Bond payable	–	1,900,000
Lease liabilities	410,939	254,813
Deferred tax liabilities	537,918	375,646
	<u>8,894,056</u>	<u>17,467,355</u>
Net assets	<u>31,266,834</u>	<u>28,829,567</u>
Capital and reserves		
Share capital	39,132	39,132
Reserves	9,461,794	9,466,609
	<u>9,500,926</u>	<u>9,505,741</u>
Equity attributable to owners of the Company	9,500,926	9,505,741
Non-controlling interests	21,765,908	19,323,826
	<u>31,266,834</u>	<u>28,829,567</u>
Total equity	<u>31,266,834</u>	<u>28,829,567</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China Merchants Land Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is incorporated in the Cayman Islands as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are mainly investment holding, properties development and assets management.

The Company’s immediate holding company is Success Well Investment Limited, a limited liability company incorporated in the British Virgin Islands. One of its intermediate holding company is China Merchants Shekou Industrial Zone Holdings Co., Ltd., which is established in the People’s Republic of China (the “**PRC**”) and listed on the Shenzhen Stock Exchange. The ultimate holding company of the Company is China Merchants Group Limited (“**CMG**”). CMG is a PRC enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council and is owned and controlled by the PRC government.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The Group has elected to apply the optional concentration test on its acquisitions and concluded that such acquisitions do not constitute a business.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>By types of goods or services</i>		
Asset management segment		
Asset management services income	<u>18,074</u>	<u>1,361</u>
Properties segment		
Sales of properties for sale	18,629,867	19,143,720
Properties operation income	32,454	36,257
Rental income from investment properties (<i>Note 8</i>)	<u>276,023</u>	<u>271,957</u>
	<u>18,938,344</u>	<u>19,451,934</u>
	<u>18,956,418</u>	<u>19,453,295</u>

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments*, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision makers (“CODM”) in order to allocate resources to segments and to assess their performance. The CODM is the Company's executive directors.

For the management purpose, the Group is organised into the following two operating and reportable segments: (i) Development and sales of properties and property leasing (“**Properties Segment**”); and (ii) Asset management for office premises and shopping malls (“**Asset Management Segment**”). Each of which was considered as a separate operating segment by the CODM.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Asset Management Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
For the year ended 31 December 2020			
Segment revenue			
– external customers	<u>18,074</u>	<u>18,938,344</u>	<u>18,956,418</u>
Segment results	<u>10,962</u>	<u>4,144,955</u>	4,155,917
Unallocated net foreign exchange losses			(72,131)
Unallocated income			51,364
Unallocated expenses			(47,191)
Unallocated finance costs			<u>(482,814)</u>
Profit before tax			<u>3,605,146</u>

	Asset Management Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
For the year ended 31 December 2019			
Segment revenue			
– external customers	<u>1,361</u>	<u>19,451,934</u>	<u>19,453,295</u>
Segment results	<u>589</u>	<u>6,374,952</u>	6,375,541
Unallocated net foreign exchange gains			68,980
Unallocated income			3,835
Unallocated expenses			(62,143)
Unallocated finance costs			<u>(633,542)</u>
Profit before tax			<u>5,752,671</u>

There was no inter-segment sales during both years.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of unallocated corporate costs, certain finance costs, certain interest income and certain net foreign exchange gains/losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Asset Management Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
At 31 December 2020			
Segment assets	<u>28,076</u>	<u>107,136,755</u>	107,164,831
Goodwill			160,210
Other unallocated assets			<u>3,700,842</u>
Total assets			<u>111,025,883</u>
Segment liabilities	<u>8,580</u>	<u>55,866,952</u>	55,875,532
Other unallocated liabilities			<u>23,883,517</u>
Total liabilities			<u>79,759,049</u>
	Asset Management Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
At 31 December 2019			
Segment assets	<u>12,091</u>	<u>86,540,096</u>	86,552,187
Goodwill			160,210
Other unallocated assets			<u>1,709,514</u>
Total assets			<u>88,421,911</u>
Segment liabilities	<u>1,320</u>	<u>43,971,881</u>	43,973,201
Other unallocated liabilities			<u>15,619,143</u>
Total liabilities			<u>59,592,344</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets, other than goodwill and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds payable, loans from an intermediate holding company of the investment holding companies and bank borrowings of the investment holding companies, are allocated to reportable and operating segment.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets.

	Asset Management Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the year ended 31 December 2020			
Addition to non-current assets (<i>Note</i>)	11	6,260,059	6,260,070
Interest income	148	216,532	216,680
Depreciation of property, plant and equipment	4	29,725	29,729
Depreciation of investment properties	–	167,433	167,433
Depreciation of right-of-use assets	–	23,778	23,778
Write-down of properties for sale	–	849,920	849,920

	Asset Management Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the year ended 31 December 2019			
Addition to non-current assets (<i>Note</i>)	12	1,926,512	1,926,524
Interest income	–	345,509	345,509
Depreciation of property, plant and equipment	–	21,934	21,934
Depreciation of investment properties	–	160,187	160,187
Depreciation of right-of-use assets	–	17,095	17,095
Write-down of properties for sale	–	358,710	358,710

Note: Non-current assets exclude deferred tax assets.

The Group's revenue from external customers is derived from the PRC, including Hong Kong. No single customer of the Group contributed 10% or more to the Group's revenue for both years.

Substantially all of the Group's non-current assets (excluding deferred tax assets and financial instruments) are located in the PRC.

Geographical information

The Group's Properties Segment is located in Foshan, Guangzhou, Nanjing and Jurong, Chongqing, Xi'an and Hong Kong.

Information about the revenue from external customers is presented based on the location of the operations. Properties Segment and Asset Management Segment are presented based on the location of the assets.

	Revenue from external customers		Segment assets	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Foshan	2,256,500	3,449,775	12,512,447	15,548,423
Guangzhou	3,273,038	4,896,172	14,201,823	10,433,847
Nanjing and Jurong	6,260,611	5,441,516	37,671,676	30,782,681
Chongqing	6,844,746	3,440,677	22,451,407	22,101,689
Xi'an	255,343	2,164,456	11,045,427	3,777,265
Hong Kong	66,180	60,699	9,282,051	3,908,282
	<u>18,956,418</u>	<u>19,453,295</u>	<u>107,164,831</u>	<u>86,552,187</u>

5. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	78,084	72,305
Interest income from associates	64,786	39,414
Interest income from joint ventures	97,356	225,696
Government grants	6,247	2,229
Others	21,571	31,253
	<u>268,044</u>	<u>370,897</u>

6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on:		
– bank borrowings	811,909	611,084
– lease liabilities	16,649	13,919
– loans from an intermediate holding company	140,304	204,379
– loans from non-controlling interests	162,660	209,560
– bonds	87,400	97,961
	<u>1,218,922</u>	<u>1,136,903</u>
Total borrowing costs	1,218,922	1,136,903
Less: Amounts capitalised in the cost of qualifying assets	(533,615)	(403,897)
	<u>685,307</u>	<u>733,006</u>

7. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The income tax expenses (credits) comprise of:		
Hong Kong Profits Tax	2,160	129
PRC Enterprise Income Tax (“EIT”)		
– Current year	814,188	1,628,795
– Underprovision in prior year	–	15,209
Land appreciation tax (“LAT”)	1,044,035	1,600,752
	<u>1,860,383</u>	<u>3,244,885</u>
Deferred tax	231,318	(191,950)
	<u>2,091,701</u>	<u>3,052,935</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory EIT rate of the subsidiaries incorporated in the PRC is 25%. Further, 5% or 10% withholding income tax is generally imposed on dividends relating to profits earned by the PRC entities that are owned by non-PRC entities within the Group.

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2020 and 2019.

8. PROFIT BEFORE TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' remuneration):		
Salaries and other allowances	387,200	399,824
Pension scheme contributions	<u>21,305</u>	<u>30,416</u>
Total staff costs	408,505	430,240
Less: Amounts capitalised to properties under development and for sale	<u>(218,202)</u>	<u>(256,628)</u>
	<u>190,303</u>	<u>173,612</u>
Gross rental income from investment properties	(276,023)	(271,957)
Less: Direct operating expenses incurred	<u>339,360</u>	<u>345,267</u>
	<u>63,337</u>	<u>73,310</u>
Cost of properties for sale recognised as expenses	13,857,762	12,777,650
Depreciation of investment properties	167,433	160,187
Depreciation of right-of-use assets	23,778	17,095
Depreciation of property, plant and equipment	29,729	21,934
Auditor's remuneration	4,047	4,062
Write-down of properties for sale (included in cost of properties for sale)	849,920	358,710
Gain on disposal of property, plant and equipment	<u>(8)</u>	<u>(4)</u>

9. DIVIDENDS

During the year ended 31 December 2020, a final dividend of Hong Kong dollars (“HK\$”) HK\$0.14 per ordinary share in respect of the year ended 31 December 2019 (2019: HK\$0.08 per ordinary share in respect of the year ended 31 December 2018) was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from share premium of the Company during the year amounted to approximately RMB625,204,000 (2019: RMB345,208,000).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK\$0.07 (equivalent to approximately RMB0.057) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company	<u>701,260</u>	<u>1,794,470</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>4,905,257,860</u>	<u>4,905,257,860</u>

No diluted earnings per share for the year ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue for both years.

11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
– contracts with customers	92,552	6,857
– operating lease receivables	<u>12,974</u>	<u>12,957</u>
	<u>105,526</u>	<u>19,814</u>

As at 1 January 2019, trade receivables from contract with customers amounted to RMB708,000.

Trade receivables mainly arise from properties operation income and rental income from the Properties Segment.

The Group's credit terms with its trade customers are generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 60 days from the date of agreement.

The ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 – 180 days	102,877	10,871
181 – 365 days	675	8,180
Over 1 year	<u>1,974</u>	<u>763</u>
	<u>105,526</u>	<u>19,814</u>

12. TRADE PAYABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>5,339,157</u>	<u>7,981,782</u>

Trade payables arise from Properties Segment comprise construction costs and other project-related expenses which are payable based on project progress and the average credit period of these trade payables is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	2,573,702	4,138,742
61 to 180 days	550,292	1,929,141
181 to 365 days	1,409,736	1,138,470
Over 365 days	<u>805,427</u>	<u>775,429</u>
	<u>5,339,157</u>	<u>7,981,782</u>

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.07 (equivalent to approximately RMB0.057) per share in respect of the year ended 31 December 2020, representing a total payment of approximately HK\$343,368,000 (equivalent to approximately RMB279,600,000). The proposed final dividend is subject to the approval of the relevant resolution at the forthcoming annual general meeting of the Company to be held, the final dividend is expected to be paid on or about 30 June 2021 to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Economic disruption and uncertainty swept across the globe as the COVID-19 outbreak continued in 2020. The pandemic prompted governments to impose lock-downs, causing widespread economic disruption, soaring unemployment, and a sharp contraction of many economies in the second quarter of 2020. The Chinese government was able to contain the outbreak with its timely and robust response to the outbreak of COVID-19. After the central government began easing restrictions in mid-March of 2020, industrial activity quickly resumed and the economy was the first to rebound around the world. China's GDP in 2020 was RMB101.6 trillion, up 2.3% year over year, making it one of the few countries in the world to achieve positive GDP growth in spite of the epidemic.

As one of the pillars of the domestic economy, the real estate sector mirrored the overall economy with a moderate level of growth. The China Real Estate Sentiment Index fell at the start of 2020 but then rebounded in February to March. In 2020, the real estate investment amounted to RMB14.144 trillion nationwide, representing an increase of 7.0% over the previous year, the growth rate was 2.9 percentage points lower than the growth rate of the previous year. Of which, residential investment increased by 7.6% to RMB10.445 trillion, this growth rate was 6.3 percentage points lower than it was in the previous year.

In 2020, the area of trading properties sold was 1.76 billion square meters, an increase of 2.6% over the previous year. Residential sales by area increased 3.2%, while office sales by area decreased 10.4% and retail shops sales by area decreased 8.7%. In terms of value, trading properties sold increased 8.7% to RMB17,361.3 billion, representing 2.2 percentage points higher in growth rate over the previous year. The value of residential properties sold increased 10.8%, while the value of office properties and retail shops properties sold fell by 5.3% and 11.2% respectively.

FINANCIAL REVIEW

For the year of 2020, profit amounted to RMB1,513,445,000 (2019: RMB2,699,736,000), representing a year-on-year decrease of approximately 44%. The profit attributable to the owners of the Company was RMB701,260,000 (2019: RMB1,794,470,000), representing a year-on-year decrease of approximately 61%. Basic earnings per share was RMB14.30 cents (2019: RMB36.58 cents), representing a year-on-year decrease of approximately 61%.

Equity attributable to owners of the Company was RMB9,500,926,000 as at 31 December 2020 (2019: RMB9,505,741,000), representing a decrease of approximately 0.05% as compared with that of the end of last year.

The Group, together with its associates and joint ventures, achieved aggregate contracted sales of RMB49,874,000,000 (2019: RMB37,633,312,000), representing a year-on-year increase of approximately 33%. Aggregate contracted sales area was 2,753,576 sq.m. (2019: 2,116,012 sq.m.), representing a year-on-year increase of approximately 30%. The average selling price was approximately RMB18,113 per sq.m. (2019: RMB17,785 per sq.m.), representing a year-on-year increase of approximately 2%.

TURNOVER

In 2020, the Group recorded turnover of RMB18,956,418,000 (2019: RMB19,453,295,000), representing a year-on-year decrease of approximately 3%. In 2020, projects in Foshan, Guangzhou, Chongqing, Nanjing and Jurong and Xi'an accounted for approximately 12%, 17%, 36%, 33%, and 1%, respectively, of the total revenue of the Group.

GROSS PROFIT

Gross profit amounted to RMB4,719,576,000 (2019: RMB6,329,628,000), representing a year-on-year decrease of approximately 25%. This was mainly due to the relatively high proportion of items with lower gross profit margin in the carried forward income and written-down of properties amounting to RMB849,920,000 in 2020. The gross profit margin was approximately 25% (2019: approximately 33%), which was decreased by 8 percentage points as compare to the last year.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates was RMB195,728,000 (2019: RMB433,017,000), representing a year-on-year decrease of approximately 55%, which was mainly attributable to the completion of the projects by Guangzhou Lianzhou Real Estate Company Limited (廣州聯洲房地產有限公司) and Guangzhou Liansen Real Estate Company Limited (廣州聯森房地產有限公司) in 2019 and contributed share of profits amounted to approximately RMB287 million and RMB 102 million respectively. In 2020, the project of Gezhouba Nanjing Property Company Limited (葛洲壩南京置業有限公司) contributed share of profits amounted to approximately RMB114 million.

SHARE OF PROFITS OF JOINT VENTURES

Share of profits of joint ventures was RMB13,942,000 (2019: RMB40,423,000), representing a year-on-year decrease of approximately 66%, which was mainly due to the decrease in carried forward income from joint ventures project in Nanjing as a result of Nanjing Hongweisheng Real Estate Development Co., Ltd. (南京弘威盛房地產開發有限公司) completed its works in 2019, and the net profit of the Group attributable to the joint ventures project in Nanjing was reduced by approximately RMB 31 million as compared to 2019.

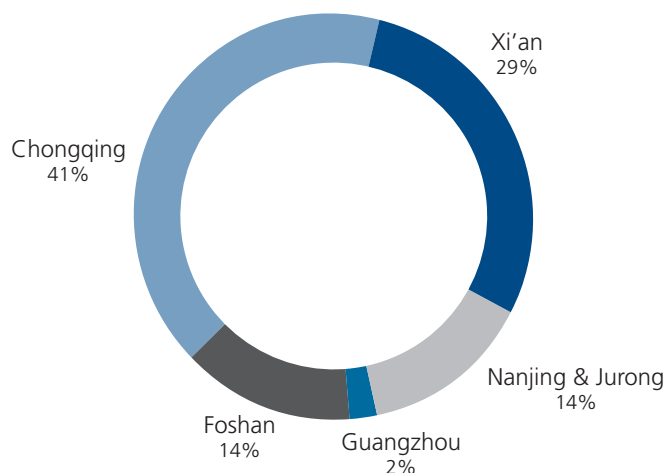
BUSINESS REVIEW

Property Development Business

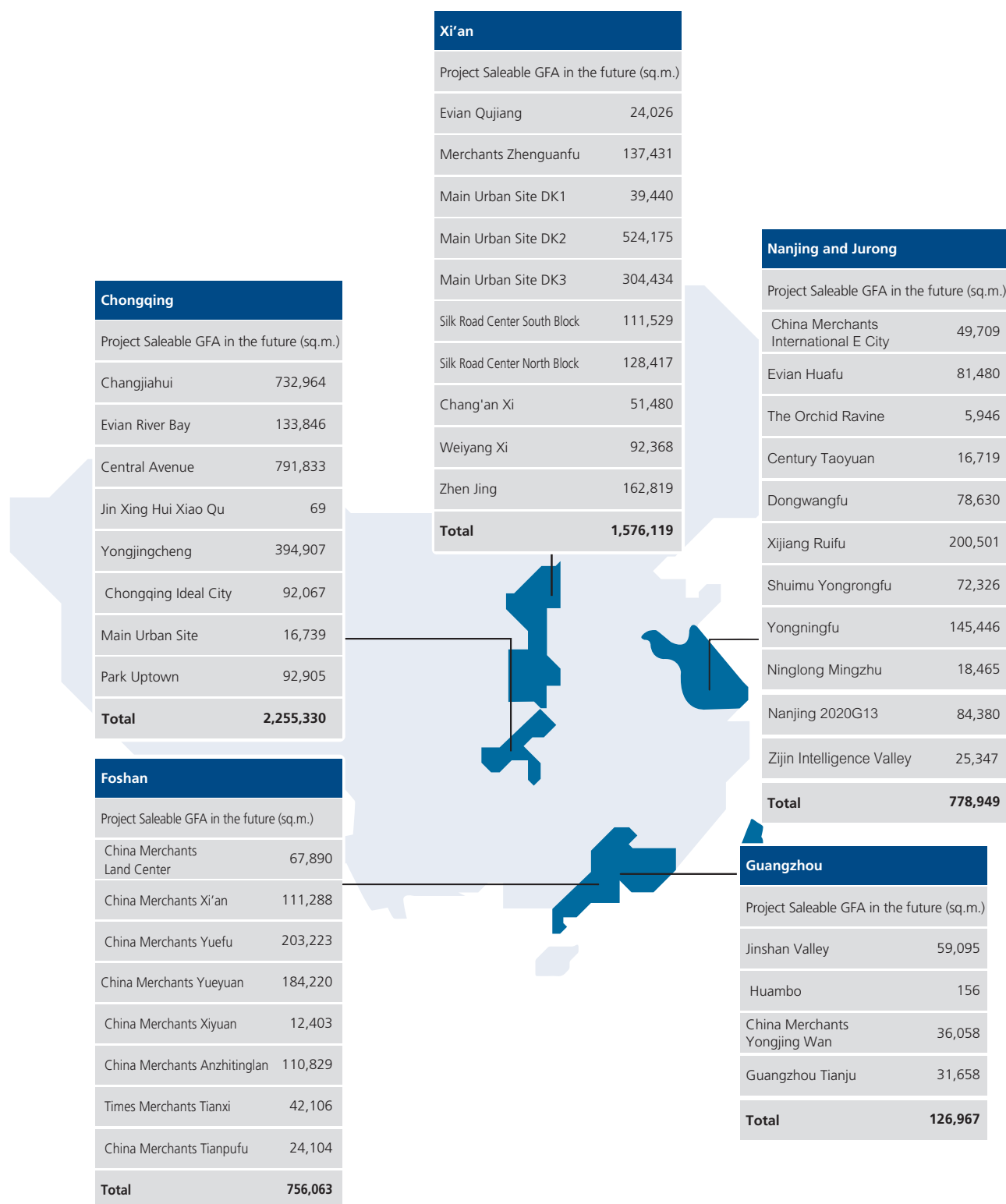
As at 31 December 2020, the Group's portfolio of property development projects consisted of 41 projects in Guangzhou, Foshan, Chongqing, Xi'an, Nanjing and Jurong, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, types of products include apartments, villas, offices and retail shops, etc.

A breakdown of land bank by cities and a map showing the geographical locations and the land bank of the projects of the Group in the PRC are set out below. The saleable gross floor area of properties which had not been sold or presold as at 31 December 2020 ("**Land Bank**") was 5,493,428 sq.m..

Land Bank by cities



A map showing the geographical location and land bank of the projects of the Group in the PRC as at 31 December 2020



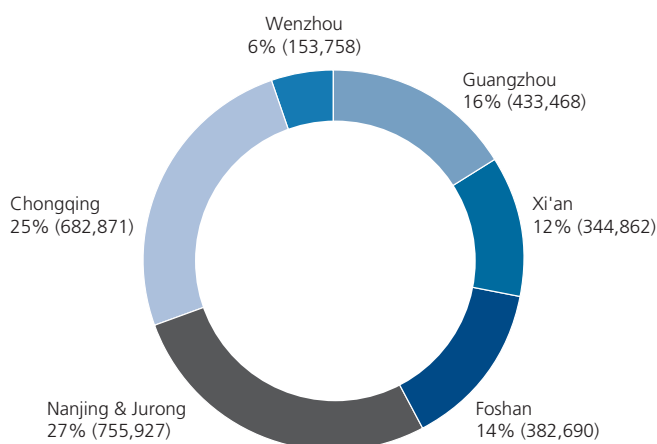
The table below shows the details of the Group's property development projects as at 31 December 2020 which (i) had been completed, (ii) were under development, or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

Project	The Company's attributable interest in the projects	Total GFA	Completed					Under development			Future development		
			Future Total GFA Saleable	GFA completed	Total GFA saleable/rentable	Of which sold and delivered	Of which sold but not yet delivered	Of which not pre-sold/ held for investment	GFA under development	Total GFA saleable/rentable	Of which sold	GFA	Total GFA saleable/rentable
Park 1872	100%	308,694	-	308,694	269,106	266,390	2,716	-	-	-	-	-	-
China Merchants Land Center	51%	222,684	67,890	222,684	196,303	93,264	35,149	67,890	-	-	-	-	-
Evian Gongguan	55%	317,111	-	317,111	290,689	290,689	-	-	-	-	-	-	-
China Merchants Zhenyuan	40%	133,683	-	133,683	121,656	121,656	-	-	-	-	-	-	-
China Merchants Xi'an	60%	231,607	111,288	231,607	210,494	65,126	34,080	111,288	-	-	-	-	-
China Merchants Yuefu	50%	328,019	203,223	108,714	96,540	71,040	3,263	22,237	219,305	203,996	23,010	-	-
China Merchants Yueyuan	50%	314,257	184,220	86,532	73,735	52,809	9,993	10,933	227,725	208,563	35,276	-	-
China Merchants Xiyuan	100%	128,836	12,403	128,836	118,058	99,559	6,096	12,403	-	-	-	-	-
China Merchants Anzhitinglan	90%	181,895	110,829	42,619	36,024	15,372	14,248	6,404	139,276	122,958	18,533	-	-
Times Merchants Tianxi	50%	175,097	42,106	-	-	-	-	-	175,097	127,611	85,505	-	-
China Merchants Tianpufu	34%	40,449	24,104	-	-	-	-	-	40,449	35,632	11,528	-	-
Foshan subtotal		2,382,332	756,063	1,580,480	1,412,605	1,075,905	105,545	231,155	801,852	698,760	173,852	-	-
Jinshan Valley	100%	1,277,295	59,095	1,271,335	1,073,929	998,169	16,665	59,095	5,960	5,960	5,960	-	-
Huambo	51%	125,953	156	125,953	104,216	104,060	-	156	-	-	-	-	-
China Merchants Yongjing Wan	60%	392,674	36,058	392,674	291,547	254,194	1,295	36,058	-	-	-	-	-
Guangzhou Tianju	50%	65,532	31,658	-	-	-	-	-	65,532	40,919	9,261	-	-
Guangzhou subtotal		1,861,454	126,967	1,789,962	1,469,692	1,356,423	17,960	95,309	71,492	46,879	15,221	-	-
Changjiahui	50%	1,896,259	732,964	1,031,868	1,005,178	749,191	-	255,987	163,047	163,047	120,717	701,344	434,647
Evian River Bay	100%	525,851	133,846	440,480	440,480	338,007	14,390	88,083	85,371	85,371	39,608	-	-
Central Avenue	50%	1,524,668	791,833	898,967	898,966	579,001	24,606	295,359	493,977	493,977	129,227	131,724	131,724
Jin Xing Hui Xiao Qu	100%	97,594	69	97,594	95,440	85,790	9,581	69	-	-	-	-	-
Yongjingcheng	100%	514,707	394,907	209,613	195,016	75,094	699	119,223	175,077	171,387	23,170	130,017	127,467
Yundi Xiao Qu	100%	122,178	-	122,178	122,178	122,178	-	-	-	-	-	-	-
Chongqing Ideal City	51%	190,499	92,067	-	-	-	-	-	190,499	181,364	89,297	-	-
Main Urban Site	100%	46,780	16,739	46,780	45,568	24,389	4,440	16,739	-	-	-	-	-
Park Uptown	100%	103,167	92,905	-	-	-	-	-	103,167	103,167	10,262	-	-
Chongqing subtotal		5,021,703	2,255,330	2,847,480	2,802,826	1,973,650	53,716	775,460	1,211,138	1,198,313	412,281	963,085	693,838
China Merchants International E City	100%	372,916	49,709	372,916	324,531	274,134	688	49,709	-	-	-	-	-
Evian Huafu	51%	358,646	81,480	358,646	276,163	193,705	978	81,480	-	-	-	-	-
The Orchid Ravine	51%	343,699	5,946	343,699	273,174	267,228	-	5,946	-	-	-	-	-
Century Taoyuan	18%	221,743	16,719	181,927	140,902	135,255	675	4,972	39,816	30,837	19,090	-	-
Dongwangfu	51%	317,257	78,630	80,829	72,391	72,391	-	-	236,428	163,363	84,733	-	-
Xijiang Ruifu	20%	278,840	200,501	-	-	-	-	-	278,840	209,582	9,081	-	-
Shuimu Yongrongfu	28%	243,759	72,326	-	-	-	-	-	243,759	171,597	99,271	-	-
Yongningfu	51%	351,434	145,446	-	-	-	-	-	351,434	285,587	140,141	-	-
Ninglong Mingzhu	31%	72,670	18,465	-	-	-	-	-	72,670	71,701	53,236	-	-
Nanjing 2020G13	51%	105,930	84,380	-	-	-	-	-	105,930	84,380	-	-	-
Zijin Intelligence Valley	60%	50,710	25,347	-	-	-	-	-	50,710	25,347	-	-	-
Nanjing and Jurong subtotal		2,717,604	778,949	1,338,017	1,087,161	942,713	2,341	142,107	1,379,587	1,042,394	405,552	-	-
Evian Qujiang	100%	538,269	24,026	538,269	492,672	468,506	140	24,026	-	-	-	-	-
Merchants Zhonguanfu	51%	230,634	137,431	-	-	-	-	-	230,634	205,455	68,024	-	-
Main Urban Site DK1	51%	277,313	39,440	-	-	-	-	-	277,313	242,864	203,424	-	-
Main Urban Site DK2	51%	562,692	524,175	-	-	-	-	-	562,692	524,175	-	-	-
Main Urban Site DK3	51%	325,294	304,434	-	-	-	-	-	325,294	304,434	-	-	-
Silk Road Center North Block	51%	160,808	111,529	-	-	-	-	-	160,808	111,529	-	-	-
Silk Road Center South Block	51%	134,489	128,417	-	-	-	-	-	134,489	128,417	-	-	-
Chang'an Xi	51%	60,840	51,480	-	-	-	-	-	60,840	51,480	-	-	-
Weiyang Xi	51%	111,203	92,368	-	-	-	-	-	111,203	92,368	-	-	-
Zhen Jing	51%	170,906	162,819	-	-	-	-	-	170,906	162,819	-	-	-
Xi'an subtotal		2,572,448	1,576,119	538,269	492,672	468,506	140	24,026	2,034,179	1,823,541	271,448	-	-
Total		14,555,541	5,493,428	8,094,208	7,264,956	5,817,197	179,702	1,268,057	5,498,248	4,809,887	1,278,354	963,085	693,838

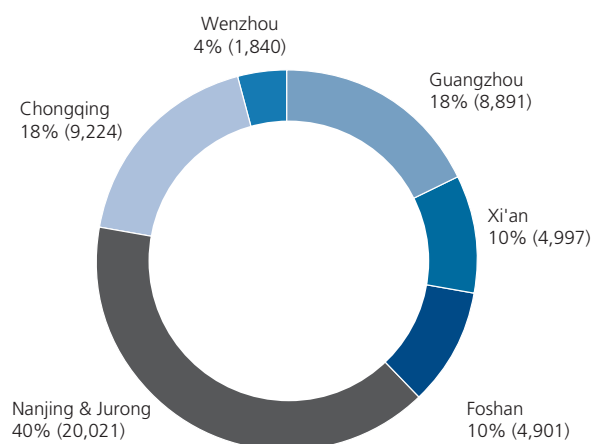
Contracted sales

For the year ended 31 December 2020, the Group together with its associates and joint ventures, achieved aggregate contracted sales of approximately RMB49,874,000,000 and aggregate contracted sales area was approximately 2,753,576 sq.m.

**Contracted sales area by region in 2020
(sq.m.)**



**Contracted sales amount by region in 2020
(RMB million)**



Newly Acquired Land Bank

The newly acquired lands over which the Group has a majority control for the year ended 31 December 2020 are as follows:

Projects	Total land consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium (RMB/sq.m.)
Xi'an Silk Road Central				
South Block	160	19,717	88,727	1,806
Xi'an Main Urban Site DK3	827	95,153	232,883	3,552
Xi'an China Merchants				
Huayu Chang'an Xi	480	27,692	41,538	11,556
Chongqing Gongyuan				
Shangcheng	412	61,679	74,015	5,566
Xi'an China Merchants				
Weiyang Xi	561	38,882	77,764	11,934
Nanjing Zijin				
Intelligence Valley	131	42,261	50,710	2,583
Nanjing 2020G13	1,770	34,544	77,517	22,834
Xi'an China Merchants				
Hua Yu Zhen Jing	1,314	42,276	118,440	11,094

Foshan

In 2020, contracted sales amount in Foshan was approximately RMB4,901 million and contracted sales area was 382,690 sq.m. As at 31 December 2020, total GFA of the Group's projects in Foshan reached 2,382,332 sq.m. and the saleable GFA in the future will amount to 756,063 sq.m..

In 2020, contracted sales projects of the Group (together with its associates and joint ventures) in Foshan mainly comprised of China Merchants Xi'an (招商曦岸):

Introduction of China Merchants Xi'an Project

Located in the northern part of Shunde, Foshan China Merchants Xi'an is situated at the bridgehead of Guangzhou-Foshan border, and enjoys a 1.1 million sq.m. landscape along Binjiang Hua'an in Chencun. The location of the project enjoys a comprehensive "six vertical and four horizontal" transportation network, with 30-minute access to Chancheng district and Guicheng district of Foshan, Panyu of Guangzhou and the center district of Guangzhou. The project covers a site area of approximately 69,000 sq.m. with a GFA of approximately 230,000 sq.m.. Meanwhile, the project has created a distinctive phoenix-theme garden and is surrounded by scenery.



Computerised photos

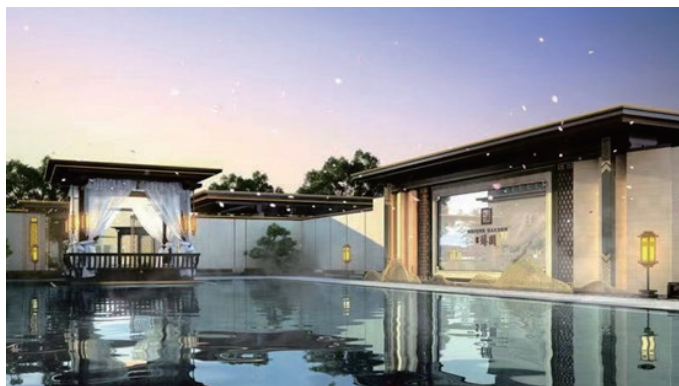
Guangzhou

In 2020, contracted sales amount in Guangzhou was approximately RMB8,891 million and contracted sales area was 433,468 sq.m.. As of 31 December 2020, total GFA of the Group's projects in Guangzhou reached 1,861,454 sq.m. and the saleable GFA in the future will amount to 126,967 sq.m..

In 2020, contracted sales projects of the Group (together with its associates and joint ventures) in Guangzhou mainly comprised of China Merchants Zhenyuan:

Introduction of China Merchants Zhenyuan Project

China Merchants Zhenyuan covers a site area of 86,000 sq.m. with a total GFA of 300,000 sq.m. and plot ratio of 3.6, demonstrating the “Adjacent to Xintang Wanda·New Chinese Style Mansion” developed by the Group. The project is located in TOD International New City, the core of Guangdong-Hong Kong-Macao Greater Bay Area, where is the first place to take the advantage of Guangzhou's eastward development strategy with the intersection of seven tracks. The living facilities in the area are already well-developed.



Computerised photos

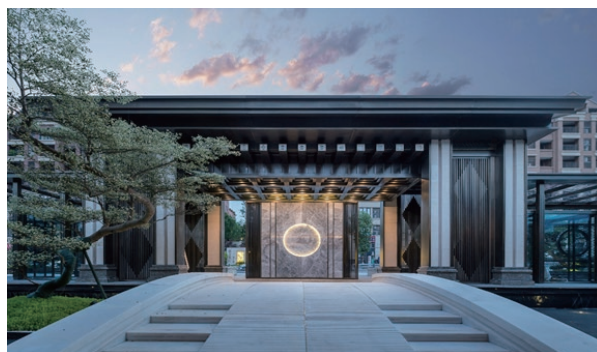
Chongqing

In 2020, contracted sales amount in Chongqing was approximately RMB9,224 million and contracted sales area was 682,871 sq.m.. As of 31 December 2020, total GFA of the Group's projects in Chongqing reached 5,021,703 sq.m. and the saleable GFA in the future will amount to 2,255,330 sq.m..

In 2020, contracted sales projects of the Group (together with its associates and joint ventures) in Chongqing comprised of Chongqing Central Avenue:

Introduction of Chongqing Central Avenue Project

Chongqing Central Avenue is located in the Central Park CBD of Yubei District, Chongqing, occupying the east golden area of the Central Park and enjoying the first completed infrastructure in the area. Also, it closes to 6 horizontal and 7 vertical and 2 rings of traffic road network, seamlessly connecting with various places of Chongqing. The project is surrounded and supported by well-developed living facilities and excellent education institutes.



Computerised photos

Nanjing and Jurong of Zhenjiang

In 2020, contracted sales amount in Nanjing and Jurong of Zhenjiang was approximately RMB20,021 million and contracted sales area was 755,927 sq.m.. As of 31 December 2020, total GFA of the Group's projects in Nanjing and Jurong reached 2,717,604 sq.m. and the saleable GFA in the future will amount to 778,949 sq.m..

In 2020, contracted sales projects of the Group (together with its associates and joint ventures) in Nanjing and Jurong of Zhenjiang comprised of Nanjing Yongningfu:

Nanjing Yongningfu: masterpiece project by the Group in Nanjing. It is proudly located in the prosperous heart of the Yushan Road, a national new district in Jiangbei, and situated opposite to Hexi CBD. The project is about 200 meters away from the Yushan Road subway station and about 1 km away from the Fifth Yangtze Bridge providing direct access to the south of Hexi District. It is surrounded by a variety of facilities such as Wonder City, Pukou Citizen's Centre, G31 plot for business complex, Hankai Academy and Sujie School. It is only about 1 km away from Lanxi Wetland Park to get close to the nature. The project is equipped with high-end club-houses with heated swimming pool, gyms and yoga rooms.



Computerised photos

Xi'an

In 2020, contracted sales amount in Xi'an was approximately RMB4,997 million and contracted sales area was 344,862 sq.m.. As at 31 December 2020, total GFA of the Group's projects in Xi'an reached 2,572,448 sq.m. and the saleable GFA in the future will amount to 1,576,119 sq.m..

In 2020, contracted sales projects of the Group (together with its associates and joint ventures) in Xi'an comprised of Main Urban Site DK1 Project:

Introduction of Main Urban Site DK1 Project

The China Merchants Main Urban Site Project is located in Xi'an International Port District with a total site area of 500 mu. The project is planned to be developed in three phases. The project on sale in 2020 was China Merchants Main Urban Site Phase I, locating at south of freight line and east of west Gangwu Road, Xi'an International Port District, with a total site area of 79,201.49 sq.m., equivalent to 118.80 mu. The project has a total GFA of 277,313 sq.m. and is planned to be developed into 12 blocks of 24-story high residential buildings, 2 blocks of 9-story residential buildings and 1 block of 8-story residential building, with residential areas ranging from 90 to 150 sq.m..



Computerised photos

Asset Management Business

Upon the listing of the China Merchants Commercial Real Estate Investment Trust (“**CMC REIT**”) on the Main Board of the Stock Exchange of Hong Kong Limited on 10 December 2019, the Company has commenced its REIT management business through China Merchants Land Asset Management Co., Limited, a wholly-owned subsidiary of the Company and the REIT manager of the CMC REIT. During the year ended 31 December 2020, the Group recorded asset management services income of approximately RMB18,074,000 (2019: RMB1,361,000).

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 31 December 2020, the net assets attributable to owners of the Company amounted to RMB9,500,926,000 (2019: RMB9,505,741,000).

As at 31 December 2020, bank balances and cash was RMB9,718,815,000 (2019: RMB8,957,799,000). In terms of currency denomination, bank balances and cash can be divided into RMB8,888,476,000 in Renminbi, RMB331,337,000 in US\$ and RMB499,002,000 in Hong Kong dollars (“**HK\$**”).

As at 31 December 2020, total interest-bearing debt of the Group was RMB19,492,774,000 (2019: RMB21,961,032,000). In terms of maturity, the outstanding total interest-bearing debt can be divided into RMB11,547,575,000 repayable within one year, RMB6,457,812,000 repayable after one year but within two years and RMB1,487,387,000 repayable after two years but within five years.

At 31 December 2020, the Group’s net interest-bearing debt (total interest-bearing debt minus bank balances and cash) to equity (including non-controlling interests) ratio (the “**Net Gearing Ratio**”) was 31% (2019: 45%). Although the financial position of the Group is stable and the potential financing capacity is strong, the Group will continue to take the relatively stable financial policies and to control the net gearing ratio at the industry average level. The capital cost of the Group still remained at industry-low level. As at 31 December 2020, the weighted average finance costs is 4.90%.

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 minimised via balancing the monetary assets versus monetary liabilities.

NON-COMPETITION DEED

To minimise actual and potential competition, the Group and China Merchants Property Development Co., Ltd.* (招商局地產控股股份有限公司) (“**CMPD**”) (a company later merged with CMSK (as defined below) in December 2015) entered into a non-competition deed on 19 June 2013 as amended and supplemented on 4 October 2013 (the “**Non-Competition Deed**”). On 30 December 2015, the Company, CMPD and China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) (“**CMSK**”) ^{Note 1} had entered into a deed of amendment and novation, pursuant to which all the obligations, undertakings, interests and benefits of CMPD under the Non-Competition Deed were novated to and undertaken by CMSK in replacement of CMPD as if CMSK has been a party to the Non-Competition Deed in substitution of CMPD with effective from 30 December 2015. Other than that, all the other terms of the Non-Competition Deed shall remain unchanged ^{Note 2}. On 17 December 2018, the Company and CMSK entered into an amended and restated non-competition deed which supersede and replace in its entirety the Non-Competition Deed (the “**Amended and Restated Non-Competition Deed**”), and subsequently entered into a re-amended and restated non-competition deed (the “**Re-Amended and Restated Non-Competition Deed**”) on 21 October 2019, which supersede and replace in its entirety the Amended and Restated Non-Competition Deed.

Notes:

1. According to the announcements published by CMSK and CMPD on the Shenzhen Stock Exchange, on 30 December 2015, CMSK and CMPD had completed the major asset restructuring and integration exercise pursuant to which, among other things, all assets, liabilities, businesses, employees, contracts and all others rights and obligations of CMPD have been taken up and assumed by CMSK in replacement of CMPD, CMPD was delisted from the Shenzhen Stock Exchange and the shares of CMSK became listed on the Shenzhen Stock Exchange, all with effect from 30 December 2015.
2. In the above paragraph under the heading of “Non-competition Deed”, for the avoidance of doubt, references to CMSK should be construed as referring to CMPD in the context of any time before 30 December 2015.

Pursuant to the Amended and Restated Non-Competition Deed, (i) CMSK and its subsidiaries (excluding the Group) (“**CMSK Group**”) will not compete with the Group in the cities of Foshan, Guangzhou, Nanjing, and Jurong (the “**Four CML Cities**”) except for certain operation transitional assets (“**Operation Transitional Assets**”) located in Foshan which would be retained by CMSK Group but managed by the Group under certain operation agreement entered into between the Group and CMSK; (ii) with respect to Chongqing and Xi’an, the Company is considering to cease to conduct Property Business (other than participating in property-related investments on a minority basis across the PRC (the “**Non-Controlling Investment Arrangement**”)) in and exit from such two cities in due course, depending on the results of an annual review process; (iii) CMSK Group will not compete with the Group in the cities of Chongqing and Xi’an unless the Group ceases to conduct Property Business (other than the Non-Controlling Investment Arrangement) in such city; (iv) the Group will not compete with CMSK in 46 other cities in the PRC (“**CMSK Cities**”) except the Group will have the rights to participate in the Non-Controlling Investment Arrangement across the PRC (including the CMSK Cities); (v) the Group will also be entitled to conduct the Asset Management Business for office premises in Beijing and Shanghai exclusively, subject to the duly transfer of all equity interest of CMSK Group in Asset Management Business for office premises in Beijing and Shanghai to the Group (the “**Proposed Transfer I**”); and (vi) the Company will no longer have the perpetual right of first refusal to conduct Property Business (the “**Right of First Refusal**”) for other cities in the PRC in which neither the Group nor the CMSK Group has an Property Business as at the date of the Non-Competition Deed (“**Unoccupied Cities**”).

Pursuant to the Re-Amended and Restated Non-Competition Deed, 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. In return, the Company (by itself or through its subsidiaries) are entitled to receive cash and/or units in the REITs. Other than the inclusion of the REIT Management Business and the updates to the terms with respect to the Asset Management Business for Office Premises in Beijing and Shanghai in order to reflect the situation at the time of the completion of the Proposed Transfer I, the other terms with respect to the (a) Non-Controlling Investment Arrangement; (b) Asset Management Business for Office Premises in Four CML Cities, Xi’an and Chongqing plus Beijing and Shanghai; and (c) Property Business of the Re-Amended and Restated Non-Competition Deed remain unchanged compared to the Amended and Restated Non-Competition Deed.

For details of the Non-Competition Deed and Operation Transitional Assets, please refer to the section headed “Relationship with the Controlling Shareholders” in the circular of the Company dated 10 October 2013.

For details of the Amended and Restated Non-Competition Deed, the Four CML Cities, Property Business, Non-Controlling Investment Arrangement, the CMSK Cities, Asset Management Business, the Proposed Transfer I, the Right of First Refusal and the Unoccupied Cities, please refer to the circular of the Company dated 10 January 2019.

For the details of the Re-Amended and Restated Non-Competition Deed, REIT Management Business and REITs, please refer to the circular of the Company dated 21 October 2019.

The independent board committee comprising all the independent non-executive Directors of the Company, had (i) reviewed the reports prepared by the Company's management containing latest information on the respective property projects portfolios of CMSK Group and the Group; (ii) carried out a review on the implementation of and compliance with Re-Amended and Restated Non-Competition Deed by CMSK Group and the Group during the year ended 31 December 2020; and (iii) confirmed that the terms of the Re-Amended and Restated Non-Competition Deed had been complied with by CMSK Group and the Group during the year ended 31 December 2020.

The Group will gradually transform into an asset-light property operator, while continue to operate its traditional property development business in Guangzhou, Foshan, Nanjing, Jurong, Chongqing and Xi'an (subject to the Company's plan to exit from Chongqing and Xi'an). Upon the annual review of the portfolio of the Group's Property Business for the year ended 31 December 2020, taking into account the financial resources available to the Group at the relevant time and the relevant market conditions, the Group decides to continue its Property Business in Chongqing and Xi'an for the time being.

PROSPECTS AND OUTLOOK

The year of 2021 is the first year of China's "14th Five-Year Plan". It is necessary for the Company to make proper decisions in a timely basis. COVID-19 pandemic in overseas is still uncontrolled, the prospects for the world's economic recovery are uncertain, the multi-field game between China and the United States is intensified, and China's domestic reform task is arduous and strenuous. Profound changes in the environment bring not only new opportunities, but also new challenges.

In view of the macro situation, the new round of scientific and technological revolution is booming, and the multipolar pattern of the world is increasingly emerging during the game of big countries, especially the epidemic situation may have a far-reaching impact on the world's political and economic pattern. Despite the obvious rise of various external uncertainties, China is still in and will be in an important period of strategic opportunities in a long time, with in-depth development of informationization, urbanization, marketization and globalization. Domestic and international double circulation gives birth to new advantages in national competition, new infrastructure improves people's quality of life, and the rapid development of metropolitan areas breeds economic growth momentum. The fundamentals of China's long-term economic development still remain positive.

In view of industry policies, the principle that "houses are for living not for speculation" has become a national policy, and the government will focus on "promoting new urbanization with people as the core" and "promoting urbanization with county towns as the important target" in the future. These key instructions have pointed out the direction for the Company's future development. The Group will study in detail and discover the structural opportunities, adhere to the patience of deep urban cultivation, and grasp the opportunities for urban reform.

In view of competitors, the real estate market will continue to improve under the long-term mechanism of "Three Red Lines", "Four-Grade Management" and "Five-Department Coordination". It is expected that the trend of industry concentration and resource integration will be significantly strengthened. Real estate enterprises are moving towards the era of "management premium". The Company will continuously improve its management and operation capabilities to reach a higher level, while adhering to prudent financial strategies and continue to optimize its financial structure, so as to deliver better results.

Taking the responsibilities of implementing the Group's overseas strategy, the Group will continue to focus on investment opportunities in Hong Kong and overseas, increase its participation in high-quality property development in Hong Kong, and strengthen the existing stock business of the Company in Hong Kong, then create a brand effect. The Group will fully capitalise on the advantages of overseas listing to explore a larger market, and create values for shareholders.

EMPLOYEE REMUNERATION AND RELATIONS

The Group remunerates the employees by reference to their qualifications, experience, responsibilities, profitability of the Group and current market conditions.

As at 31 December 2020, the Group had 814 (2019: 872) employees in the PRC and Hong Kong.

The Group determines its staff remuneration based on various factors such as qualifications, length of service, market conditions and performance of the individual employees. A share option scheme was adopted at the annual general meeting of the Company held on 27 September 2011 (the “**2011 Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group’s operations. No grants under the 2011 Share Option Scheme were made during the year ended 31 December 2020.

FINANCIAL GUARANTEE CONTRACTS

The Group has contingent liabilities amounted to RMB5,567,473,000 as at 31 December 2020 (2019: RMB3,148,783,000).

PLEDGE OF ASSETS

As at 31 December 2020, land included in properties for sale and located in Chongqing, Foshan, Nanjing and Jurong with carrying values of approximately RMB3,424,620,000 (2019: RMB6,348,122,000) and investment properties with carrying values of approximately RMB1,274,083,000 (2019: Nil) have been pledged to secure bank borrowings amounting to RMB2,222,409,000 (2019: RMB1,501,276,000) granted to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year of 2020.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors and one non-executive director. Dr. Wong Wing Kuen, Albert, chairman of the Audit Committee, has the appropriate professional qualification and experience in financial matters as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). This committee is authorised by the Board and is responsible for reviewing the financial reports, internal control principles and for maintaining an appropriate relationship with the Company’s auditors. The Audit Committee has reviewed the Group’s consolidated financial statements for the year of 2020, including the internal controls, financial reporting matters, accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures above in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year of 2020 as set out in this preliminary results announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2020, save that:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors and all the independent non-executive Directors do not have specific terms of appointment. However, all of them are subject to retirement by rotation and re-election at the annual general meeting according to the Company’s articles of association. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting (the “AGM”). Mr. XU Yongjun, the chairman of the Board, could not attend the AGM held on 20 May 2020 due to other business engagement. However, he had appointed Mr. HUANG Junlong, a non-executive Director as his alternate director who chaired the AGM and answered questions for shareholders of the Company.

Code Provision A.5.5(2) stipulates that if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason why the Board believes the individual would still be able to devote sufficient time to the Board should be set out in the AGM circular. The Company did not immediately include the reasons of supporting Dr. Wong Wing Kuen, Albert to be re-elected in the AGM, but a supplemental announcement dated 24 April 2020 was issued to provide the reasons in more details.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. XU Yongjun and Ms. LIU Ning, both as non-executive Directors, Ms. CHEN Yanping and Mr. HE Qi, both as independent non-executive Directors, did not attend every general meetings of the Company held during the year of 2020 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present in each of the general meetings to enable the Board to gain and develop a balanced understanding of the views of the Company’s shareholders.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by Directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year of 2020 containing all information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at ir.cmland.hk.

On behalf of the Board
China Merchants Land Limited
XU Yongjun
Chairman

Hong Kong, 18 March 2021

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.