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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 2022

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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	29,871,347	25,921,416
Cost of sales		(25,867,814)	(21,129,665)
Gross profit		4,003,533	4,791,751
Other income	5	395,564	314,198
Net foreign exchange gains		(100,322)	53,622
Selling and marketing expenses		(796,621)	(822,717)
Administrative expenses		(296,312)	(277,676)
Allowance of expected credit losses on amounts due from associates and joint ventures		(59,059)	(262,073)
Fair value gain on financial asset at fair value through profit or loss (“ FVTPL ”)		10,606	10,937
Gain on disposal of subsidiaries		56,710	–
Gain on acquisition of additional interests in an associate		130,518	–
Share of results of associates		143,788	330,551
Share of results of joint ventures		120,148	83,937
Finance costs	6	(627,910)	(691,661)

		2022	2021
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	8	2,980,643	3,530,869
Income tax expense	7	(1,250,617)	(1,948,003)
Profit for the year		1,730,026	1,582,866
Other comprehensive expense, 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		46,870	(36,839)
Total comprehensive income for the year		1,776,896	1,546,027
Profit for the year attributable to:			
Owners of the Company		329,659	560,569
Non-controlling interests		1,400,367	1,022,297
		1,730,026	1,582,866
Total comprehensive income for the year attributable to:			
Owners of the Company		376,529	523,730
Non-controlling interests		1,400,367	1,022,297
		1,776,896	1,546,027
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share	<i>10</i>		
Basic		6.72	11.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		At 31 December	
		2022	2021
	NOTES	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		235,375	250,472
Right-of-use assets		86,721	61,466
Investment properties		3,243,522	3,325,468
Goodwill		160,210	160,210
Interests in associates		10,149,691	10,473,161
Interests in joint ventures		5,495,028	4,611,016
Financial asset at FVTPL		128,442	117,836
Other receivables		13,051,869	5,465,334
Deferred tax assets		936,478	890,870
		<u>33,487,336</u>	<u>25,355,833</u>
Current assets			
Properties for sale		63,332,410	74,620,484
Deposits paid for acquisitions of land use rights		–	415,863
Trade and other receivables	11	18,842,556	21,402,156
Contract costs		229,025	406,749
Prepaid income tax		2,633,426	2,103,294
Bank balances and cash		12,343,547	14,423,276
		<u>97,380,964</u>	<u>113,371,822</u>
Current liabilities			
Contract liabilities		25,992,261	27,367,755
Trade and other payables	12	32,558,521	36,316,375
Lease liabilities		57,531	52,519
Loans from non-controlling interests		68,522	515,035
Loans from an intermediate holding company		22,185	2,006,213
Bank borrowings		1,919,439	5,548,802
Income tax payable		3,321,731	3,789,978
		<u>63,940,190</u>	<u>75,596,677</u>
Net current assets		<u>33,440,774</u>	<u>37,775,145</u>
Total assets less current liabilities		<u>66,928,110</u>	<u>63,130,978</u>

	At 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Loans from non-controlling interests	136,570	120,472
Loans from an intermediate holding company	15,285,356	16,159,990
Bank borrowings	17,927,195	12,186,332
Lease liabilities	375,062	375,967
Deferred tax liabilities	477,662	437,620
	<u>34,201,845</u>	<u>29,280,381</u>
Net assets	<u>32,726,265</u>	<u>33,850,597</u>
Capital and reserves		
Share capital	39,132	39,132
Reserves	9,823,683	9,699,330
	<u>9,862,815</u>	<u>9,738,462</u>
Equity attributable to owners of the Company	22,863,450	24,112,135
Non-controlling interests	<u>22,863,450</u>	<u>24,112,135</u>
Total equity	<u>32,726,265</u>	<u>33,850,597</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Limited. 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 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 periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)- Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* retrospectively for the first time in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* (“**HKFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

Impacts on application of the agenda decision of the Committee – Lessor Forgiveness of Lease Payments (IFRS 9 Financial Instruments and IFRS 16 Leases)

In October 2022, the Committee published the agenda decision related to the accounting for a rent concession where the lessor legally releases the lessee from its obligation to make specifically identified lease payments. Some of these lease payments are contractually due but not paid and some of them are not yet contractually due. The Committee concluded that, before the rent concession is granted, the lessor applies the impairment requirements in IFRS 9 to the operating lease receivable, the measurement of expected credit losses should include the lessor’s expectations of forgiving the related lease payments. In addition, the lessor accounts for the rent concession on the date it is granted by applying: (a) the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor has recognised as operating lease receivables; and (b) the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor has not recognised as an operating lease receivable.

The Group’s accounting policy has applied the aforementioned principles and requirements to an operating lease receivable and account for the rent concession. Therefore, the Group’s current accounting policy is considered as consistent with the Committee’s agenda decision.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in October 2022 which clarified that the accounting for a rent concession where the lessor legally releases the lessee from its obligation to make specifically identified lease payments.

3. REVENUE

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

	2022 RMB’000	2021 RMB’000
<i>By types of goods or services</i>		
Asset management segment		
Asset management services income	<u>30,457</u>	<u>18,934</u>
Properties segment		
Sales of properties for sale	29,422,870	25,591,850
Properties operation income	186,523	45,087
Rental income from investment properties (<i>Note 8</i>)	<u>231,497</u>	<u>265,545</u>
	<u>29,840,890</u>	<u>25,902,482</u>
	<u>29,871,347</u>	<u>25,921,416</u>
<i>By timing of revenue recognition</i>		
At a point in time	29,422,870	25,591,850
Over time	<u>216,980</u>	<u>64,021</u>
Revenue from contracts with customers (<i>Note</i>)	29,639,850	25,655,871
Rental income from investment properties	<u>231,497</u>	<u>265,545</u>
	<u>29,871,347</u>	<u>25,921,416</u>

Note: Revenue from contracts with customers are mainly derived from the PRC except for RMB30,457,000 (2021: RMB18,934,000) related to the operation in Hong Kong.

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 different property projects engaged in development and sales of properties, property leasing and assets management in various cities within the PRC, each of which is considered as an operating segment by the CODM. For segment reporting purpose, these operating segments have been aggregated into two 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**”), according to the nature and similarity of their products and services, the customer type or class, the method of products distribution or providing services, and the regulatory environment, which give rise to a more meaningful presentation.

Segment revenue and results

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

	Asset Management Segment RMB’000	Properties Segment RMB’000	Consolidated RMB’000
For the year ended 31 December 2022			
Segment revenue			
– external customers	<u>30,457</u>	<u>29,840,890</u>	<u>29,871,347</u>
Segment results	<u>23,535</u>	<u>3,532,988</u>	3,556,523
Unallocated net foreign exchange losses			(105,629)
Unallocated income			74,178
Unallocated expenses			(60,053)
Unallocated finance costs			<u>(484,376)</u>
Profit before tax			<u>2,980,643</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 2021			
Segment revenue			
– external customers	<u>18,934</u>	<u>25,902,482</u>	<u>25,921,416</u>
Segment results	<u>10,867</u>	<u>3,992,979</u>	4,003,846
Unallocated net foreign exchange gain			55,171
Unallocated income			53,386
Unallocated expenses			(53,123)
Unallocated finance costs			<u>(528,411)</u>
Profit before tax			<u>3,530,869</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 other income and certain net foreign exchange losses or gains. 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 2022			
Segment assets	<u>59,247</u>	<u>116,075,846</u>	116,135,093
Goodwill			160,210
Other unallocated assets			<u>14,572,997</u>
Total assets			<u>130,868,300</u>
Segment liabilities	<u>4,463</u>	<u>75,282,804</u>	75,287,267
Other unallocated liabilities			<u>22,854,768</u>
Total liabilities			<u>98,142,035</u>
	Asset Management Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
At 31 December 2021			
Segment assets	<u>85,277</u>	<u>127,788,530</u>	127,873,807
Goodwill			160,210
Other unallocated assets			<u>10,693,638</u>
Total assets			<u>138,727,655</u>
Segment liabilities	<u>6,324</u>	<u>68,545,527</u>	68,551,851
Other unallocated liabilities			<u>36,325,207</u>
Total liabilities			<u>104,877,058</u>

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

- all assets, other than goodwill, certain assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than loans from an intermediate holding company, bank borrowings and other payables 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 2022			
Addition to non-current assets (<i>Note</i>)	–	935,248	935,248
Interest income	–	286,017	286,017
Depreciation of property, plant and equipment	7	42,514	42,521
Depreciation of investment properties	–	143,090	143,090
Depreciation of right-of-use assets	–	39,827	39,827
Write-down of properties for sale	–	206,773	206,773

	Asset Management Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the year ended 31 December 2021			
Addition to non-current assets (<i>Note</i>)	–	3,909,694	3,909,694
Interest income	–	232,354	232,354
Depreciation of property, plant and equipment	7	34,569	34,576
Depreciation of investment properties	–	148,579	148,579
Depreciation of right-of-use assets	–	94,798	94,798
Write-down of properties for sale	–	360,538	360,538

Note: Non-current assets exclude deferred tax assets and non-current other receivables.

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, the PRC and Hong Kong.

Information about the revenue from external customers is presented based on the location of the operations. Assets of Properties Segment and Asset Management Segment are presented based on the location of the operation and place of management decision.

	Revenue from external customers		Segment assets	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Foshan	1,438,595	3,866,389	6,397,686	10,122,253
Guangzhou	1,456,587	2,218,805	26,348,349	23,500,158
Nanjing and Jurong	14,151,546	8,507,651	36,656,182	47,721,601
Chongqing	5,007,814	8,981,974	23,981,397	23,124,732
Xi'an	7,742,547	2,264,952	21,621,723	22,388,256
Hong Kong	74,258	81,645	1,129,756	1,016,807
	<u>29,871,347</u>	<u>25,921,416</u>	<u>116,135,093</u>	<u>127,873,807</u>

5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	174,151	98,150
Interest income on amount due from associates	101,524	165,587
Interest income on amount due from joint ventures	77,059	6,919
Interest income on amount due from non-controlling interests	5,381	12,729
Interest income on amount due from a third party	243	1,392
Interest income on amount due from an investee	1,384	949
Government grants	9,203	5,817
Others	26,619	22,655
	<u>395,564</u>	<u>314,198</u>

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on:		
– bank borrowings	736,607	698,948
– lease liabilities	20,848	15,350
– loans from an intermediate holding company	854,200	397,118
– loans from non-controlling interests	55,284	153,652
– bonds	–	88,129
	<hr/>	<hr/>
Total borrowing costs	1,666,939	1,353,197
Less: Amounts capitalised in the cost of qualifying assets	(1,039,029)	(661,536)
	<hr/>	<hr/>
	627,910	691,661

7. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The income tax expenses comprise of:		
Hong Kong Profits Tax	6,667	2,567
PRC Enterprise Income Tax (“EIT”)		
– Current year	770,515	918,228
– (over) under-provision in prior year	(14,097)	23,714
Withholding tax expenses	16,015	239,944
Land appreciation tax (“LAT”)	487,639	800,874
	<hr/>	<hr/>
	1,266,739	1,985,327
Deferred taxation	(16,122)	(37,324)
	<hr/>	<hr/>
	1,250,617	1,948,003

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 from sales of properties less estimated deductible expenditures including cost of land use right, borrowing costs and the relevant property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2022 and 2021. 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.

8. PROFIT BEFORE TAX

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' remuneration):		
Salaries and other allowances	364,847	418,318
Pension scheme contributions	48,839	40,101
	<hr/>	<hr/>
Total staff costs	413,686	458,419
Less: Amounts capitalised to properties under and for sale	(233,734)	(278,851)
	<hr/>	<hr/>
	179,952	179,568
	<hr/>	<hr/>
Gross rental income from investment properties (<i>Note 3</i>)	(231,497)	(265,545)
Less: Direct operating expenses incurred	195,569	144,177
Less: Depreciation of investment properties	143,090	148,579
	<hr/>	<hr/>
	107,162	27,211
	<hr/>	<hr/>
Cost of properties for sale recognised as expenses	25,295,266	20,776,436
Depreciation of investment properties	143,090	148,579
Depreciation of right-of-use assets	39,827	94,798
Depreciation of property, plant and equipment	42,521	34,576
Auditor's remuneration	3,940	5,045
Write-down of properties for sale (included in cost of properties for sale)	206,773	360,538
Loss on disposal of property, plant and equipment	33	1
	<hr/>	<hr/>

9. DIVIDENDS

During the year ended 31 December 2022, a final dividend of Hong Kong dollars (“**HK\$**”) HK\$0.06 per ordinary share in respect of the year ended 31 December 2021 (2021: HK\$0.07 per ordinary share in respect of the year ended 31 December 2020) 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 RMB252,490,000 (2021: RMB286,644,000).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK\$0.03 (equivalent to approximately RMB0.027) 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:

	2022 <i>RMB'000</i>	2021 <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>329,659</u>	<u>560,569</u>
	2022	2021
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 years ended 31 December 2022 and 2021 were presented as there were no potential ordinary shares in issue for both years.

11. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– contract with customers	22,165	24,317
– operating lease receivables	<u>4,760</u>	<u>1,102</u>
	<u>26,925</u>	<u>25,419</u>

As at 1 January 2021, trade receivables from contract with customers amounted to RMB92,552,000.

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 leasing are paid in accordance with the terms of the rental agreements and invoices, normally within 30 days from the date of invoices.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 180 days	19,813	18,097
181 – 365 days	2,036	3,672
Over 1 year	5,076	3,650
	<u>26,925</u>	<u>25,419</u>

12. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>7,427,932</u>	<u>12,106,363</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 60 days	4,907,557	5,145,845
61 to 180 days	696,807	5,141,906
181 to 365 days	1,052,998	950,704
Over 365 days	770,570	867,908
	<u>7,427,932</u>	<u>12,106,363</u>

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.03 (equivalent to approximately RMB0.027) per share in respect of the year ended 31 December 2022, representing a total payment of approximately HK\$147,158,000 (equivalent to approximately RMB132,442,000). 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 2023 to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, affected by the recurring epidemic and the impact of the Russia-Ukraine war, China implemented the requirements of “preventing the epidemic, stabilising the economy and ensuring safety in development”, launched a package of macro-control policies and focused on stabilising growth, employment and prices, with economic growth stabilising after hitting rock bottom in the second quarter, the employment situation improving and prices generally remaining stable. The annual economic growth was reported to be around 3%. At the same time, external risk challenges have increased significantly, the contradictions of insufficient domestic demand have come to the fore, market players’ expectations have turned weaker and fiscal and financial risks have been exposed.

In 2022, real estate investment declined by 10% year-on-year due to a slowdown in land sales (the value of land sales fell by 48% year-on-year in 2022) and a reduction in construction activity (a 39% year-on-year decline in construction floor area commenced). Developers were very cautious about expansion in 2022, with some not even acquiring any land for reserve in 2022. With the implementation of a series of policies such as the “three arrows policy” in the fourth quarter of 2022, the rate of decline in real estate related indicators narrowed in December, with the rate of decline in real estate development investment narrowing by 7.7 percentage points in the same month of December compared to November, and the rate of decline in the sales area of commercial properties, sales, capital in place and new housing construction also narrowed to varying degrees.

In the midst of the long winter in the industry, the Group’s strategy of “quality first, customer first” has resulted in significant improvements in product advantages, housing quality, delivery quality and timing. With the orientation of “maintaining a stable customer base”, the market share of the cities in which the Group is located has increased against the market, with Nanjing’s market share stabilizing at over 6% and Xi’an’s market share exceeding 6% for the first time.

As a pillar industry of the national economy, the policy environment of the industry has improved with the country's orderly return to normal, and it will remain a large market of 10 trillion dollars in the future. The industry is expected to experience a "Matthew effect". The Group should be prudent in its deployment of resources and take advantage of the China Merchants Group to continue to invest intensively in cities where it has established roots.

FINANCIAL REVIEW

For the year of 2022, profit amounted to RMB1,730,026,000 (2021: RMB1,582,866,000), representing a year-on-year increase of approximately 9.3%. The profit attributable to the owners of the Company was RMB329,659,000 (2021: RMB560,569,000), representing a year-on-year decrease of approximately 41.2%. Basic earnings per share was RMB6.72 cents (2021: RMB11.43 cents), representing a year-on-year decrease of approximately 41.2%.

Equity attributable to owners of the Company was RMB9,862,815,000 as at 31 December 2022 (2021: RMB9,738,462,000), representing an increase of approximately 1.3% as compared with that of the end of last year.

TURNOVER

In 2022, the Group recorded turnover of RMB29,871,347,000 (2021: RMB25,921,416,000), representing a year-on-year increase of approximately 15.2%. In 2022, projects in Foshan, Guangzhou, Chongqing, Nanjing and Jurong, Xi'an and Hong Kong accounted for approximately 4.8%, 4.9%, 16.8%, 47.4%, 25.9% and 0.2%, respectively, of the total revenue of the Group.

GROSS PROFIT

Gross profit amounted to RMB4,003,533,000 (2021: RMB4,791,751,000), representing a year-on-year decrease of approximately 16.4%. 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 RMB206,773,000 in 2022. The gross profit margin was approximately 13.4% (2021: approximately 18.5%), which was decreased by 5 percentage points as compared to the last year.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates was RMB143,788,000 (2021: RMB330,551,000), representing a year-on-year decrease of approximately 56.5%, which was mainly attributable to the completion of the projects by Guangzhou Kuangrong Real Estate Development Co. Ltd. (廣州礦榮房地產開發有限公司) and Nanjing Shansheng Property Development Limited (南京善盛房地產開發有限公司) in 2021 and the carry-forward of income, contributing share of profits amounted to approximately RMB189,719,000 and RMB96,571,000 respectively. In 2022, the share of profits generated from the projects by Ruian Jiamao Zhiye Co., Ltd. (瑞安佳茂置業有限公司) amounted to approximately RMB168,602,000.

SHARE OF PROFITS OF JOINT VENTURES

Share of profits of joint ventures was RMB120,148,000 (2021: RMB83,937,000), representing a year-on-year increase of approximately 43.1%, which was mainly due to the completion of the projects by Nanjing Shengxiang Yuan Property Development Limited (南京盛香園房地產開發有限公司) in this year and the carry-forward of income, contributing share of profits amounted to approximately RMB163,198,000.

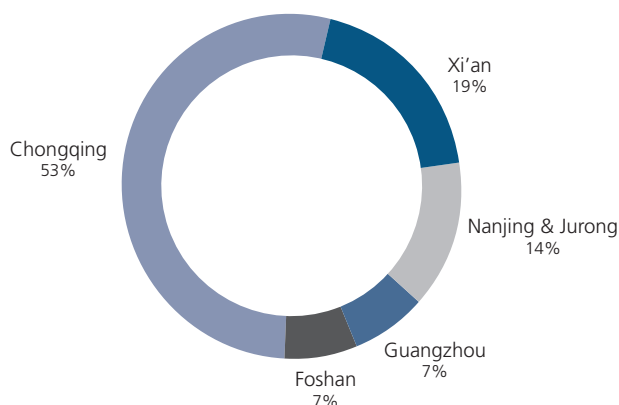
BUSINESS REVIEW

Property Development Business

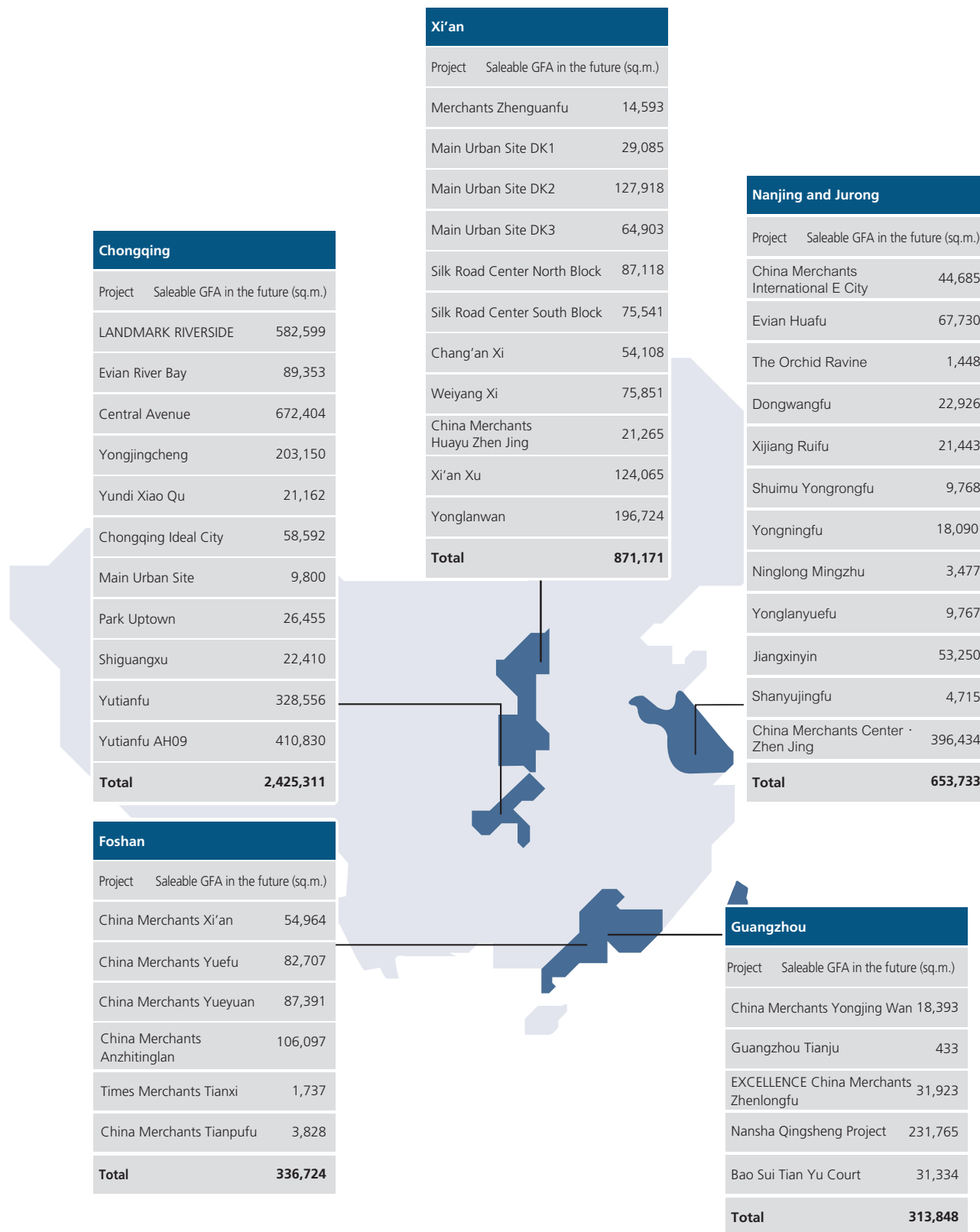
As at 31 December 2022, the Group's portfolio of property development projects consisted of 45 projects in Guangzhou, Foshan, Chongqing, Xi'an, Nanjing and Jurong, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, types of products 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 2022 ("**Land Bank**") was 4,600,787 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 2022



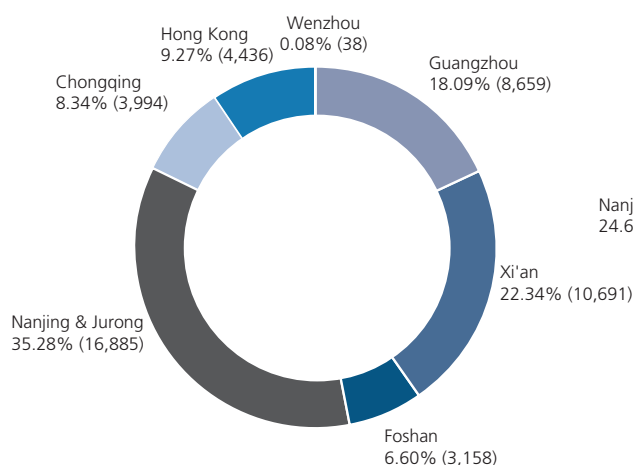
The table below shows the details of the Group's property development projects as at 31 December 2022 which (i) had been completed, (ii) were under development, or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

Project	The Company's attributable interest in the projects	Total GFA	Future Total GFA Saleable	Completed				Under development			Future development		
				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
China Merchants Xi'an	60%	231,607	54,964	231,607	204,284	147,281	2,039	54,964	-	-	-	-	-
China Merchants Yuefu	50%	326,112	82,707	326,112	249,861	158,662	8,492	82,707	-	-	-	-	-
China Merchants Yueyuan	50%	309,372	87,391	309,372	253,845	153,791	12,663	87,391	-	-	-	-	-
China Merchants Anzhitinglan	90%	181,895	106,097	181,895	171,103	59,368	5,638	106,097	-	-	-	-	-
Times Merchants Tianxi	50%	175,097	1,737	175,097	124,764	122,663	364	1,737	-	-	-	-	-
China Merchants Tianpufu	34%	35,881	3,828	35,881	35,881	32,005	48	3,828	-	-	-	-	-
Foshan subtotal		1,388,800	336,724	1,388,800	1,161,131	795,163	29,244	336,724	-	-	-	-	-
China Merchants Yongjing Wan	60%	283,587	18,393	283,587	283,587	265,194	-	18,393	-	-	-	-	-
Guangzhou Tianju	50%	65,533	433	65,533	41,825	41,392	-	433	-	-	-	-	-
EXCELLENCE China Merchants Zhenlongfu	50%	118,833	31,923	-	-	-	-	-	118,833	73,254	41,331	-	-
Nansha Qingsheng Project	100%	327,509	231,765	-	-	-	-	-	190,598	139,586	-	136,911	92,179
Bao Sui Tian Yu Court	50%	96,877	31,334	-	-	-	-	-	96,877	96,877	65,543	-	-
Guangzhou subtotal		892,339	313,848	349,120	325,412	306,586	-	18,826	406,308	309,717	106,874	136,911	92,179
LANDMARK RIVERSIDE	50%	1,655,097	582,599	1,226,300	1,197,281	944,780	2,284	250,217	153,682	153,682	90,265	275,115	268,965
Evian River Bay	100%	535,805	89,353	535,805	525,773	426,894	9,526	89,353	-	-	-	-	-
Central Avenue	50%	1,664,272	672,404	1,277,515	1,220,309	918,469	14,767	287,073	386,757	385,331	-	-	-
Yongjingcheng	100%	503,026	203,150	384,608	362,297	246,599	7,693	108,005	118,418	114,085	18,940	-	-
Yundi Xiao Qu	100%	136,704	21,162	136,704	122,812	100,403	1,247	21,162	-	-	-	-	-
Chongqing Ideal City	51%	182,106	58,592	121,894	119,445	119,445	-	-	60,212	59,002	410	-	-
Main Urban Site	100%	47,012	9,800	47,012	45,572	35,772	-	9,800	-	-	-	-	-
Park Uptown	100%	103,749	26,455	103,749	103,262	76,658	149	26,455	-	-	-	-	-
Shiguangxu	100%	39,505	22,410	-	-	-	-	-	39,505	36,332	13,922	-	-
Yutianfu	100%	381,739	328,556	-	-	-	-	-	197,103	197,103	53,183	184,636	184,636
Yutianfu AH09	100%	427,214	410,830	-	-	-	-	-	167,541	167,541	16,383	259,673	259,672
Chongqing subtotal		5,777,932	2,425,311	3,935,290	3,792,191	2,956,568	43,558	792,065	1,123,218	1,113,076	193,103	719,424	713,273
China Merchants International E City	100%	372,916	44,685	372,916	324,531	275,358	4,488	44,685	-	-	-	-	-
Evian Huaifu	51%	357,867	67,730	357,867	254,513	186,783	-	67,730	-	-	-	-	-
The Orchid Ravine	51%	343,699	1,448	343,699	273,174	271,726	-	1,448	-	-	-	-	-
Dongwangfu	51%	315,482	22,926	315,482	235,399	212,003	470	22,926	-	-	-	-	-
Xijiang Ruifu	40%	278,840	21,443	275,057	223,609	204,004	887	18,718	3,783	3,029	304	-	-
Shuimu Yongrongfu	55%	243,759	9,768	243,759	184,928	174,928	232	9,768	-	-	-	-	-
Yongningfu	51%	291,438	18,090	291,438	283,978	265,727	161	18,090	-	-	-	-	-
Ninglong Mingzhu	31%	57,303	3,477	57,303	57,303	53,826	-	3,477	-	-	-	-	-
Yonglanyuefu	51%	105,618	9,767	105,618	85,411	75,184	460	9,767	-	-	-	-	-
Jiangxinyin	51%	168,138	53,250	-	-	-	-	-	168,138	135,992	82,742	-	-
Shanyujingfu	20%	69,032	4,715	69,032	54,520	49,805	-	4,715	-	-	-	-	-
China Merchants Center · Zhen Jing	80%	736,857	396,434	-	-	-	-	-	736,857	489,620	93,186	-	-
Nanjing and Jurong subtotal		3,632,137	653,733	2,723,359	2,177,891	1,959,910	16,657	201,324	908,778	628,641	176,232	-	-
Merchants Zhenguanfu	51%	231,174	14,593	231,174	197,662	182,757	312	14,593	-	-	-	-	-
Main Urban Site DK1	51%	277,313	29,085	277,313	242,880	209,984	3,811	29,085	-	-	-	-	-
Main Urban Site DK2	51%	562,692	127,918	-	-	-	-	-	562,692	518,061	390,143	-	-
Main Urban Site DK3	51%	324,037	64,903	324,037	295,101	226,978	3,220	64,903	-	-	-	-	-
Silk Road Center North Block	51%	160,808	87,118	160,808	137,187	40,933	9,136	87,118	-	-	-	-	-
Silk Road Center South Block	51%	138,106	75,541	138,106	116,316	11,863	28,912	75,541	-	-	-	-	-
Chang'an Xi	26%	63,626	54,108	-	-	-	-	-	63,626	54,108	-	-	-
Weiyang Xi	51%	112,359	75,851	112,359	105,662	3,306	26,505	75,851	-	-	-	-	-
China Merchants Huayu Zhen Jing	51%	170,906	21,265	170,906	146,196	42,435	82,496	21,265	-	-	-	-	-
Xi'an Xu	51%	158,971	124,065	-	-	-	-	-	158,971	149,760	25,695	-	-
Yonglanwan	51%	226,883	196,724	-	-	-	-	-	226,883	212,188	15,464	-	-
Xi'an subtotal		2,965,144	871,171	1,952,972	1,736,729	1,189,231	179,142	368,356	1,012,172	934,117	431,302	-	-
Total		14,656,352	4,600,787	10,349,541	9,193,354	7,207,458	268,601	1,717,295	3,450,476	2,985,551	907,511	856,335	805,452

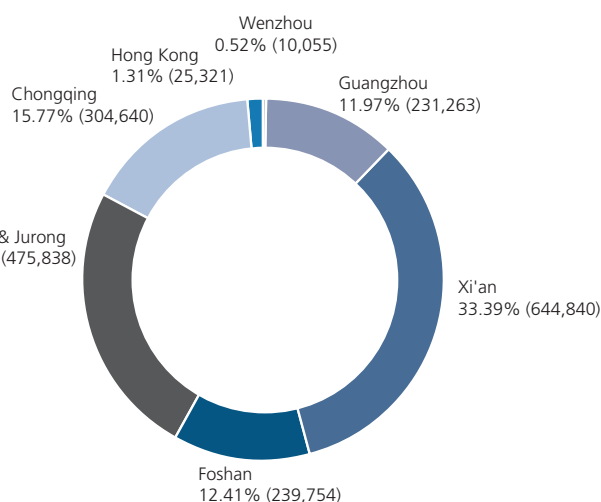
Contracted sales

The Group, together with its associates and joint ventures, achieved aggregate contracted sales of RMB47,861,000,000 (2021: RMB55,196,000,000), representing a year-on-year decrease of approximately 13.29%. Aggregate contracted sales area was 1,931,711 sq.m. (2021: 2,392,049 sq.m.), representing a year-on-year decrease of approximately 19.24%. The average selling price was approximately RMB24,777 per sq.m. (2021: RMB23,075 per sq.m.), representing a year-on-year increase of approximately 7.4%.

**Contracted sales amount by region in 2022
(RMB million)**



**Contracted sales area by region in 2022
(sq.m.)**



Newly Acquired Land Bank

The newly acquired lands over which the Group has a majority control for the year ended 31 December 2022 are as follows:

Projects	Total land consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium per permissible area (RMB/sq.m.)
K01-1-1/09, K01-1-2/09, K01-1-3/09, K05-1/07, Sub-area K, Dayangshi Group, Jiulongpo District, Chongqing	2,574	115,535	357,539	7,200
NO2022G51 Plot Nanjing	1,750	25,607	66,579	26,300

Foshan

In 2022, contracted sales amount in Foshan was approximately RMB3,158 million and contracted sales area was 239,754 sq.m. As at 31 December 2022, total GFA of the Group's projects in Foshan reached 1,388,800 sq.m. and the saleable GFA in the future will amount to 336,724 sq.m..

In 2022, contracted sales projects of the Group (together with its associates and joint ventures) in Foshan mainly comprised of Foshan Dongyue Bay Project (佛山東樾灣府):

Introduction of Foshan Dongyue Bay Project

Dongyue Bay is located at the east of Lishui Avenue, across the river is Jinshazhou, in the “pan-Jinshazhou area”. From the project, a 30-minute drive to Guangzhou, Foshan core areas, enjoy the same city of Guangzhou and Foshan 30-minute living circle, the location is very obvious advantages. With the project as the centre, there are three major business districts (Jinshazhou business district, Huangqi business district and Lishui business district) within a 5–10-minute drive. There are four provincial and municipal schools within five kilometres of the project.

The project has a total site area of 74,000 square metres and a total gross floor area of approximately 180,000 square metres, covering residences, flats, commercial and car parking spaces.



Computerised photos

Guangzhou

In 2022, contracted sales amount in Guangzhou was approximately RMB8,659 million and contracted sales area was 231,263 sq.m.. As of 31 December 2022, total GFA of the Group's projects in Guangzhou reached 892,339 sq.m. and the saleable GFA in the future will amount to 313,848 sq.m..

In 2022, contracted sales projects of the Group (together with its associates and joint ventures) in Guangzhou mainly comprised of Guangzhou Haizhu Tianjun (廣州海珠天璿):

Introduction of Guangzhou Haizhu Tianjun (廣州海珠天璿)

The project is located in the Pazhou area of Haizhu District, an important part of Guangzhou's CBD, adjacent to the Guangzhou International Convention and Exhibition Center and looking towards the north bank of the Pearl River. The project is only one river away from Guangzhou International Finance City. The project covers an area of 17,382 square meters, with a total construction area of 91,131 square meters, floor area ratio of about 5.9, planning to build, among other things, four high-rise residential buildings and one high-end apartments.

Project for the extension of Guangzhou Metro Line 8 Fengpu Park Station, close to the planned Pazhou terminal traffic hub, through the Newport West Road, Dongpu Bridge, under construction Pazhou-Yuzhu Pier tunnel and other convenient connections to the Pazhou e-commerce headquarters area, Tianhe Zhujiang New Town and the International Finance City CBD. In terms of living facilities, the area within 3 km of the direct line includes a comprehensive shopping center, primary and secondary schools, international schools, and grade III level A hospitals. At the same time, it enjoys 1,100 hectares of Haizhu National Wetland Park, Huangpu Ancient Port Site Recreation Area and Pearl River Ecological Landscape Resources. The comprehensive supporting conditions are outstanding.



Computerised photos

Chongqing

In 2022, contracted sales amount in Chongqing was approximately RMB3,994 million and contracted sales area was 304,640 sq.m.. As of 31 December 2022, total GFA of the Group's projects in Chongqing reached 5,777,932 sq.m. and the saleable GFA in the future will amount to 2,425,311 sq.m..

In 2022, contracted sales projects of the Group (together with its associates and joint ventures) in Chongqing comprised of LANDMARK RIVERSIDE(長嘉匯):

Introduction of LANDMARK RIVERSIDE(長嘉匯)

Located on Taichang Road in Nan'an District, Chongqing, China, with a total gross floor area of approximately 1.5 million square metres, LANDMARK RIVERSIDE is an integrated urban living project comprising residential and commercial properties.

The “Two Rivers Peak” series, with a gross floor area of approximately 400-460 square metres and a 174 square metre high-rise, occupies a more central position along the river, with a panoramic view of the landmarks of Chaotianmen, Jiangbeizui and Nanbin Road as well as the landmark where the Jialing and Yangtze rivers meet. The project is well-equipped with a wide range of transport, medical, education, financial and living facilities.

The commercial properties of the project are located in the golden triangle of Chongqing's CBD, with famous facilities such as LANDMARK RIVERSIDE Shopping Park, Danzishi Old Street and Danzishi Square, among which LANDMARK RIVERSIDE Shopping Park gathers global fashion trends and Danzishi Old Street is listed as a national 4A tourist scenic area. The Danzishi Square is a broader view of the confluence of the two rivers and is known as the “best place to take photographs of the confluence of the two rivers”.



Computerised photos

Nanjing and Jurong of Zhenjiang

In 2022, contracted sales amount in Nanjing and Jurong of Zhenjiang was approximately RMB16,885 million and contracted sales area was 475,838 sq.m.. As of 31 December 2022, total GFA of the Group's projects in Nanjing and Jurong reached 3,632,137 sq.m. and the saleable GFA in the future will amount to 653,733 sq.m..

In 2022, contracted sales projects of the Group (together with its associates and joint ventures) in Nanjing and Jurong of Zhenjiang comprised of Nanjing China Merchants Centre•Zhenjing(南京招商局中心·臻境):

Project of Nanjing China Merchants Centre•Zhenjing(南京招商局中心·臻境)

Located in Nanjing's Xuanwu District, Nanjing China Merchants Centre•Zhenjing occupies the core of the new Xuanwu area in the heart of Nanjing's main city, close to Nanjing Station and Zhongshan Scenic Park. The project covers an area of approximately 174,000 square metres with a total gross floor area of approximately 750,000 square metres, incorporating a variety of commercial and high-end residential developments, and is directly connected to the metro to form a large-scale TOD project, bringing China Merchants' unique "Sea World" world-class lifestyle to Nanjing.

The project is extremely conveniently located on Nanjing's Line 6 and Line 9 metro, with three other metro lines within 2km – Line 1, 3 and 7. There are 9 bus routes within 1km of the site. Hongshan Road, Hengjia Road, Beiyuan East Road, Jingwu Road, Daimagnan Road, Lingzhi Road and Hongshan South Road form a four vertical and three horizontal road networks, which connects directly to Nanjing's city inner ring via Xinzhuang Junction, providing quick access to the whole city.

Within the new Xuanwu area, there are 5 primary schools, 2 junior high schools and 12 kindergartens, all of which are among the top 10 schools in the city. The project features 118, 134, 143 and 181 square metres, covering 3- and 4-bedroom units.



Computerised photos

Xi'an

In 2022, contracted sales amount in Xi'an was approximately RMB10,691 million and contracted sales area was 644,840 sq.m.. As at 31 December 2022, total GFA of the Group's projects in Xi'an reached 2,965,144 sq.m. and the saleable GFA in the future will amount to 871,171 sq.m..

In 2022, contracted sales projects of the Group (together with its associates and joint ventures) in Xi'an comprised of Xi'an International Trade & Logistics Park Project 西安國際港務區項目:

Introduction of Xi'an International Trade & Logistics Park Project 西安國際港務區項目

The project is located in the delta of the Ba river and Wei river in the northeast of the main city of Xi'an. It covers a total area of more than 580 mu and is located in the area around the Olympic Sports Center project in the International Port Area, and is a large-scale urban integrated development project integrating offices, hotels, commercial districts, apartments and residential properties.

Among them, residential and other businesses occupy an area of 500 mu, which will create an ecological and comfortable high-quality living community. The buildings include cover high-rise and small high-rise, stores and parking spaces, with 2-4 rooms as the main household type. The commercial sector covers an area of about 80 mu and will build a landmark high-rise building, which will be integrated with the Olympic Sports Center project to create a new image of a free and fashionable, ecologically vibrant regional gateway. The buildings include apartments, office buildings, hotels and businesses.



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 2022, the Group recorded asset management services income of approximately RMB30,457,000 (2021: RMB18,934,000).

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 31 December 2022, the net assets attributable to owners of the Company amounted to RMB9,862,815,000 (2021: RMB9,738,462,000).

As at 31 December 2022, bank balances and cash was RMB12,343,547,000 (2021: RMB14,423,276,000). In terms of currency denomination, bank balances and cash can be divided into RMB11,574,694,000 in Renminbi, RMB153,911,000 in US\$ and RMB614,942,000 in Hong Kong dollars (“**HK\$**”).

As at 31 December 2022, total interest-bearing debt of the Group was RMB35,245,097,000 (2021: RMB36,536,844,000). In terms of maturity, the outstanding total interest-bearing debt can be divided into RMB2,010,146,000 repayable within one year, RMB22,218,302,000 repayable after one year but within two years, RMB10,052,105,000 repayable after two years but within five years and RMB964,544,000 repayable after five years.

As at 31 December 2022, 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 70% (2021: 65%). The Group further utilizes the flexibility of its capital structure and resources in a rational manner according to project needs. The capital cost of the Group still remained at industry-low level. As at 31 December 2022, the weighted average finance costs of the interest-bearing debt is 4.31%, of which the average finance costs of bank and financial institution borrowings was 3.94%.

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 2022; 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 2022.

The Group will continue to operate its traditional property development business in Guangzhou, Foshan, Nanjing and Jurong. In addition, upon the annual review of the portfolio of the Group's Property Business for the year ended 31 December 2022, 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 future development of the real estate market has a number of favorable conditions, one is that China is still in the stage of continuous development of urbanisation. Last year, the urbanisation rate of the resident population increased by 0.5 percentage points from the previous year to 65.22%, but it is still not high compared to the level of about 80% in developed countries. The number of new urban population in China in 2022 was huge and these are the space for future development. Second, reasonable demand in the real estate market will be gradually released. Many measures have been introduced in various places to support rigid and improved housing demand, which will help increase home buyers' willingness to purchase homes.

The Group believes that the industry policy has improved and the real estate market will remain a large market of 10 trillion dollar in the future. With the “three arrows” of the real estate policy in November last year and the introduction of relief policies such as the “16 Articles of Finance”, the credit of real estate enterprises and real estate sales are expected to improve. The probability of a rebound in property sales in 2023 will increase, leading to a stabilisation of property investment and considerable credit expansion.

The Group will strive to improve its performance in several areas. Firstly, we will strive to increase revenue and reduce expenses and keep the level of three expenses (i.e. sales expenses, management expenses and financing expenses) below the industry benchmark and strive for management bonus. The second is to operate with a “people-oriented” philosophy, adhere to the origin of customer value, insist on quality development, promote the spirit of craftsmanship, and practically improve the quality of products and services; strengthen the cultivation of staff talent, strengthen the foundation of innovative talents, and create growth opportunities for outstanding employees. Thirdly, we will strengthen the application of digital empowerment, use digital innovation to assist online marketing, speed up public construction and the “Flame Gathering Plan” (marketing with all), and other measures to sell inventory, improve asset quality and keep cash flow within safe boundaries in the long run.

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 2022, the Group had 799 (2021: 962) 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. For the year ended 31 December 2022, the Company had no share option scheme in effect.

FINANCIAL GUARANTEE CONTRACTS

The Group has contingent liabilities amounted to RMB7,908,240,000 as at 31 December 2022 (2021: RMB6,561,657,000).

PLEDGE OF ASSETS

As at 31 December 2022, land included in properties for sale and located in Chongqing, Foshan, Nanjing and Jurong with carrying values of approximately RMB3,777,371,000 (2021: RMB2,043,820,000) and investment properties with carrying values of approximately RMB1,724,601,000 (2021: 1,207,206,000) have been pledged to secure bank borrowings amounting to RMB2,594,112,000 (2021: RMB1,802,451,000) 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 2022.

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 2022, 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 2022 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 2022, save that:

Code Provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. All Directors do not have specific terms of appointment. However, all of them are subject to retirement by rotation and re-election at 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 C.1.6 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Mr. Xu Yongjun and Ms. Liu Ning (then), both are, the non-executive directors, did not attend the annual general meeting (the "AGM") of the Company held on 26 May 2022 due to other business engagement. However, there were sufficient Directors, including executive Directors, independent non-executive Directors and non-executive Director, present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Code Provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. Xu Yongjun, the chairman of the Board, could not attend the AGM held on 26 May 2022 due to other business engagement. However, he had appointed Mr. Huang Junlong, a non-executive Director as his alternate director who presided at the AGM and answered questions for shareholders of the Company.

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 2022.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year of 2022 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, 15 March 2023

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