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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 2017

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 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	3	17,310,562	11,606,442
Cost of sales		<u>(11,604,104)</u>	<u>(8,269,296)</u>
Gross profit		5,706,458	3,337,146
Other income	5	198,341	213,032
Net foreign exchange gains (losses)		198,625	(190,249)
Selling and marketing expenses		(323,972)	(269,760)
Administrative expenses		(140,611)	(130,201)
Fair value loss on derivative financial instruments		(13,983)	(56,524)
Share of profits (losses) of associates		137,379	(44,030)
Share of profits (losses) of joint ventures		1,139	(20,930)
Gain on deemed disposal of joint ventures		1,031	–
Finance costs	6	<u>(462,929)</u>	<u>(296,165)</u>
Profit before tax	8	5,301,478	2,542,319
Income tax expense	7	<u>(2,362,495)</u>	<u>(1,427,265)</u>
Profit for the year		<u>2,938,983</u>	<u>1,115,054</u>

	<i>NOTE</i>	2017 RMB'000	2016 RMB'000
Profit for the year		2,938,983	1,115,054
Other comprehensive income, net of income tax Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		<u>(24,365)</u>	<u>20,166</u>
Profit and total comprehensive income for the year		<u>2,914,618</u>	<u>1,135,220</u>
Profit for the year attributable to:			
Owners of the Company		1,638,124	811,449
Non-controlling interests		<u>1,300,859</u>	<u>303,605</u>
		<u>2,938,983</u>	<u>1,115,054</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		1,613,759	831,615
Non-controlling interests		<u>1,300,859</u>	<u>303,605</u>
		<u>2,914,618</u>	<u>1,135,220</u>
Earnings per share	<i>10</i>		
Basic (RMB cents)		<u>33.40</u>	<u>16.54</u>
Diluted (RMB cents)		<u>30.61</u>	<u>16.54</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	At 31 December	
<i>NOTES</i>	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	136,888	61,913
Investment properties	1,183,563	801,159
Goodwill	160,210	160,210
Interests in associates	330,364	192,985
Interests in joint ventures	1,453,514	108,644
Available-for-sale investments	18,750	–
Other receivables	–	745,791
Deferred tax assets	670,831	500,662
	3,954,120	2,571,364
CURRENT ASSETS		
Properties for sale	33,293,771	32,035,534
Deposits paid for acquisitions of land use rights	1,115,000	1,275,940
Trade and other receivables	11 14,030,234	6,307,077
Tax recoverable	240,241	329,080
Derivative component of convertible bonds	83,254	116,451
Bank balances and cash	5,100,692	5,810,922
	53,863,192	45,875,004
CURRENT LIABILITIES		
Deposits received in respect of pre-sale of properties	7,272,992	10,350,183
Trade and other payables	12 12,257,572	6,060,389
Loans from equity holders	4,078,935	6,443,021
Tax payable	971,876	624,925
Bank and other borrowings	1,773,095	2,572,000
Bonds payable	3,231,826	–
Convertible bonds	1,691,604	–
Derivative component of convertible bonds	55,892	–
	31,333,792	26,050,518
NET CURRENT ASSETS	22,529,400	19,824,486
TOTAL ASSETS LESS CURRENT LIABILITIES	26,483,520	22,395,850

	At 31 December	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Loans from equity holders	2,456,311	207,374
Other payables	23,755	14,748
Bank and other borrowings	1,977,934	2,705,590
Bonds payable	–	3,426,732
Convertible bonds	–	1,714,915
Derivative component of convertible bonds	–	73,044
Deferred tax liabilities	254,294	145,477
	<u>4,712,294</u>	<u>8,287,880</u>
NET ASSETS	<u>21,771,226</u>	<u>14,107,970</u>
CAPITAL AND RESERVES		
Share capital	39,132	39,132
Reserves	7,375,466	5,954,284
	<u>7,414,598</u>	<u>5,993,416</u>
Equity attributable to owners of the Company	7,414,598	5,993,416
Non-controlling interests	14,356,628	8,114,554
	<u>21,771,226</u>	<u>14,107,970</u>
TOTAL EQUITY	<u>21,771,226</u>	<u>14,107,970</u>

NOTES:

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 “Stock Exchange”). 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 of the year 2017.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are development and sales of properties and property leasing and trading of electronic and electrical related products and building related materials and equipment.

The Company’s immediate holding company is Success Well Investments Limited, which is a limited liability company incorporated in the British Virgin Islands (the “BVI”). The Company’s intermediate holding company is 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”), which is established in the People’s Republic of China (the “PRC”) and listed on the Shenzhen Stock Exchange Limited. The Company’s ultimate holding 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle:
	Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfer of Investment Property ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

3. REVENUE

An analysis of the Group's revenue by major products and service categories for the year is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of properties for sale	17,215,170	11,468,458
Properties operation income	9,274	78,038
Rental income from investment properties (<i>Note 8</i>)	86,118	59,946
	<u>17,310,562</u>	<u>11,606,442</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") for allocating resources to segments and assessing their performance. The CODM is the Company's executive directors.

For the management purpose, the Group is currently organised into the following two operating and reportable segments: (i) Development and sales of properties and property leasing ("Properties Segment"); and (ii) sales of electronic and electrical related products and building related materials and equipment ("Trading Segment"), each of which is 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:

	Trading Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
For the year ended 31 December 2017			
Segment revenue			
– external customers	<u>–</u>	<u>17,310,562</u>	<u>17,310,562</u>
Segment results	<u>–</u>	<u>5,396,118</u>	5,396,118
Net foreign exchange gains			198,638
Unallocated income			40,425
Fair value loss on derivative financial instruments			(13,983)
Unallocated expenses			(35,909)
Unallocated finance costs			<u>(283,811)</u>
Profit before tax			<u>5,301,478</u>

	Trading Segment <i>RMB'000</i>	Properties Segment <i>RMB'000</i>	Consolidated <i>RMB'000</i>
For the year ended 31 December 2016			
Segment revenue			
– external customers	–	11,606,442	11,606,442
	<u>–</u>	<u>11,606,442</u>	<u>11,606,442</u>
Segment results	–	3,042,495	3,042,495
	<u>–</u>	<u>3,042,495</u>	
Net foreign exchange losses			(190,534)
Unallocated income			3,381
Fair value loss on derivative financial instruments			(56,524)
Unallocated expenses			(45,490)
Unallocated finance costs			<u>(211,009)</u>
Profit before tax			<u>2,542,319</u>

There were no inter-segment sales for the years ended 31 December 2017 and 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit generated by each segment without allocation of unallocated corporate costs, fair value loss on derivative financial instruments, net of certain finance costs, certain interest income and certain net foreign exchange losses. This is the measure reported to the CODM for the purposes of resources 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:

	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
As at 31 December 2017			
Segment assets	<u>–</u>	<u>56,886,277</u>	56,886,277
Goodwill			160,210
Other unallocated assets			<u>770,825</u>
Total assets			<u>57,817,312</u>
Segment liabilities	<u>–</u>	<u>25,829,938</u>	25,829,938
Other unallocated liabilities			<u>10,216,148</u>
Total liabilities			<u>36,046,086</u>
	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
As at 31 December 2016			
Segment assets	<u>1,588</u>	<u>46,569,999</u>	46,571,587
Goodwill			160,210
Other unallocated assets			<u>1,714,571</u>
Total assets			<u>48,446,368</u>
Segment liabilities	<u>2,039</u>	<u>26,745,164</u>	26,747,203
Other unallocated liabilities			<u>7,591,195</u>
Total liabilities			<u>34,338,398</u>

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

- all assets, other than derivative component of convertible bonds, goodwill and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds payable, loans from equity holders of the investment holding companies, liability component of convertible bonds, derivative component of convertible bonds, and bank and other borrowings of the investment holding companies, are allocated to reportable and operating segments.

Other segment information

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

	Trading Segment	Properties Segment	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2017			
Addition to non-current assets (<i>Note</i>)	–	1,880,568	1,880,568
Interest income	–	132,641	132,641
Depreciation of property, plant and equipment	–	10,795	10,795
Depreciation of investment properties	–	38,764	38,764
	<hr/>	<hr/>	<hr/>
	Trading Segment	Properties Segment	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2016			
Addition to non-current assets (<i>Note</i>)	5	946,815	946,820
Interest income	–	148,439	148,439
Depreciation of property, plant and equipment	2	5,773	5,775
Depreciation of investment properties	–	668	668
	<hr/>	<hr/>	<hr/>

Note: Non-current assets exclude deferred tax assets and financial assets.

The Group's revenue from external customers is derived from the PRC. No single customer of the Group contributed 10% or more to the Group's revenue for the years ended 31 December 2017 and 2016.

Substantially all of the Group's non-current assets, excluding deferred tax assets and available-for-sale investments, 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 of Properties Segment and the assets of Properties Segment is presented based on the location of the assets.

	Revenue from external customers		Segment assets	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Foshan	3,872,741	3,601,719	16,674,902	11,708,430
Guangzhou	3,186,358	4,062,667	7,963,894	6,061,642
Nanjing and Jurong	5,663,082	2,715,367	16,809,335	14,641,387
Chongqing	3,075,552	1,226,689	14,063,967	12,321,770
Xi'an	1,500,513	–	951,128	1,836,770
Hong Kong	12,316	–	422,348	–
	<u>17,310,562</u>	<u>11,606,442</u>	<u>56,885,574</u>	<u>46,569,999</u>

5. OTHER INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Bank interest income	44,506	33,258
Gain on disposal of investment properties	10,393	22,179
Government grants (<i>Note</i>)	–	25,111
Interest income from associates	76,714	87,072
Interest income from joint ventures	51,846	31,490
Others	14,882	13,922
	<u>198,341</u>	<u>213,032</u>

Note: The amount of government grants was received in respect of certain property development projects of the Group in Chongqing, the PRC. When the Group fulfilled the relevant granting criteria, the government grants were immediately recognised as other income.

6. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on:		
– bank and other borrowings	258,720	300,291
– loans from a fellow subsidiary	–	199
– loans from an intermediate holding company	95,161	44,571
– loans from non-controlling equity holders of subsidiaries of the Group	224,562	148,904
– bonds	163,784	166,350
– convertible bonds	88,655	83,234
	<hr/>	<hr/>
Total borrowing costs	830,882	743,549
Less: amounts capitalised in the cost of qualifying assets	(367,953)	(447,384)
	<hr/>	<hr/>
	462,929	296,165

Borrowing costs capitalised to properties under development for sale were determined by the contractual interest rates of respective borrowings.

Borrowing costs were capitalised at the weighted average rate of general borrowings at 4.69% per annum (2016: 4.85% per annum).

7. INCOME TAX EXPENSE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax (“EIT”)		
– Current year	1,257,661	719,072
– Over provision in prior year	(2,498)	-
Land appreciation tax (“LAT”)	1,168,684	753,088
	<hr/>	<hr/>
	2,423,847	1,472,160
Deferred tax	(61,352)	(44,895)
	<hr/>	<hr/>
	2,362,495	1,427,265

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 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 deductible expenditure including cost of land use right and all property development expenditures.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong for the years ended 31 December 2017 and 2016.

8. PROFIT BEFORE TAX

	2017	2016
	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' remuneration):		
Salaries and other allowances	302,235	234,598
Pension scheme contributions	18,945	32,774
	<hr/>	<hr/>
Total staff costs	321,180	267,372
Less: Amount capitalised to properties under development for sale	(178,049)	(140,872)
	<hr/>	<hr/>
	143,131	126,500
	<hr/>	<hr/>
Gross rental income from investment properties (<i>Note 3</i>)	(86,118)	(59,946)
Less: Direct operating expenses incurred	88,569	38,253
	<hr/>	<hr/>
	2,451	(21,693)
	<hr/>	<hr/>
Cost of properties for sale recognised as an expense	11,515,535	8,269,296
Depreciation of investment properties	38,764	668
Depreciation of property, plant and equipment	10,795	5,775
Auditor's remuneration	3,842	3,464
Loss (gain) on disposal of property, plant and equipment	156	(38)
	<hr/>	<hr/>

9. DIVIDENDS

During the year ended 31 December 2017, a final dividend of Hong Kong dollars (“HK\$”) \$0.045 per ordinary share in respect of the year ended 31 December 2016 (2016: HK\$0.005 per ordinary share in respect of the year ended 31 December 2015) was declared and paid to the shareholders of the Company. The aggregate amount of final dividend declared from share premium of the Company and paid during the year amounted to approximately RMB195,970,000 (2016: RMB20,438,000).

During the year ended 31 December 2017, subsidiaries of the Group declared dividends of RMB879,030,000 (2016: RMB39,018,000) to its shareholders of which, approximately RMB199,011,000 (2016: RMB19,509,000) was declared to their non-controlling equity holder.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK\$0.1 (equivalent to approximately RMB0.08) 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 and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Earnings		
Earning for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company	1,638,124	811,449
Effect of dilutive potential ordinary shares:		
– Fair value changes on convertible bonds	13,983	-
– Interest on convertible bonds	88,655	-
Earnings for the purpose of diluted earnings per share	<u>1,740,762</u>	<u>811,449</u>
	2017 <i>'000</i>	2016 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,905,258	4,905,258
Effect of dilutive potential ordinary shares:		
– Convertible bonds	780,976	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,686,234</u>	<u>4,905,258</u>
Basic earnings per share (RMB cents)	<u>33.40</u>	<u>16.54</u>
Diluted earnings per share (RMB cents)	<u>30.61</u>	<u>16.54</u>

The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the conversion of the Group's convertible bonds since its exercise would result in an increase in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	<u>5,550</u>	<u>2,163</u>

The Group's credit terms with its trade customers are generally 0 to 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk.

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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
180 days or less	4,809	575
181 days to 365 days	38	–
Over 365 days	<u>703</u>	<u>1,588</u>
	<u>5,550</u>	<u>2,163</u>

12. TRADE AND OTHER PAYABLES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Trading Segment	–	2,039
– Properties Segment	4,562,561	2,396,871
	<u>4,562,561</u>	<u>2,398,910</u>

Trade payables 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 average credit period on purchase of goods is generally from 30 days extending up to 90 days for major suppliers from Trading Segment. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	2,223,239	1,418,012
61 to 180 days	949,020	156,757
181 to 365 days	574,129	189,009
Over 365 days	816,173	635,132
	<u>4,562,561</u>	<u>2,398,910</u>

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.1 (equivalent to approximately RMB0.08) per share in respect of the year ended 31 December 2017 (31 December 2016: HK\$0.045 (equivalent to approximately RMB0.04)) per share, representing a total payment of approximately HK\$490,526,000 (equivalent to approximately RMB410,031,000). Subject to the passing of the relevant resolution at the annual general meeting (the “Annual General Meeting”) of the Company to be held on Friday, 27 April 2018, the final dividend will be paid on or about 1 June 2018 to shareholders whose names appear on the register of members of the Company on 11 May 2018.

For the purpose of ascertaining the shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from 10 May 2018 to 11 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 9 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2017, various economic regimes around the world experienced continuous recovery, and the global macro-economic figures showed a flourishing condition where stock markets of different regions climbed up, the global trading rebounded and the business environment was promising. In the US, Donald Trump was elected as the new President and his tax plan has been passed. Benefited from the positive impact of tax cuts, enterprises recorded better profits. As a result of the recovery of Eurozone economies and the growth of macro-economic data going back to the right track, enterprises in Europe had an improved profitability. Albeit the political tension, there was sound economic growth in all Asian countries. The gross domestic product (GDP) of the PRC increased by 6.9% in 2017, which enabled full accomplishment of key targets for the economic and social development with better-than-expected results.

The real estate market of the Mainland China in 2017 was mainly driven by core government policies. After the announcement of the keynote that “Houses are built for residence, not for speculation” in the Central Working Conference held at the end of 2016, several supporting policies promulgated subsequently had been based thereon. Local governments, one after another, implemented one policy customised for one city or several policies for one city for controlling purpose. With the policies becoming more extensive, the real estate markets of the first and the second tier cities had shown signs of cooling down, while there were considerable results in destocking in the third and the fourth tier cities. Sales of the national commodities housings in 2017 jumped up to new record high, with the area sold for national commodities housing reached 1,694 million sq.m. in 2017 representing a year-on-year increase of 7.7%. Besides, in order to response to the state’s long-term mechanism for the stabilisation of the real estate market, real estate enterprises have taken the initiative to participate in hire-purchase and increased their investment in the rental market.

FINANCIAL REVIEW

For the year of 2017, profit amounted to RMB2,938,983,000 (2016: RMB1,115,054,000), representing an increase of approximately 164% as compared with that of last year. The profit attributable to the owners of the Company was RMB1,638,124,000 (2016: RMB811,449,000), representing an increase of approximately 102% as compared with that of last year. Basic earnings per share was RMB33.40 cents (2016: RMB16.54 cents), representing an increase of approximately 102% as compared with that of last year.

Equity attributable to owners of the Company was RMB7,414,598,000 as at 31 December 2017 (2016: RMB5,993,416,000), representing an increase of approximately 24% as compared with that as at the end of last year.

The Group together with its associate and joint ventures, achieved aggregate contracted sales of RMB24,156,757,000 (2016: RMB15,986,065,000), representing an increase of approximately 51% over that of last year. Aggregate contracted sales area was 1,382,636 sq.m. (2016: 1,185,223 sq.m.), representing an increase of approximately 17% as compared with that of last year. The average selling price was approximately RMB17,472 per sq.m. (2016: RMB13,488 per sq.m.), representing an increase of approximately 30% as compared with that of last year.

TURNOVER

For 2017, the Group recorded turnover of RMB17,310,562,000 (2016: RMB11,606,442,000), representing an increase of approximately 49% as compared with that of last year. The rise was mainly due to the increase of total gross floor area completed and delivered during the year of 2017. For the year of 2017, projects in Foshan, Guangzhou, Chongqing, Nanjing and Jurong and Xi'an accounted for approximately 22%, 18%, 18%, 33%, and 9%, respectively, of the total revenue of the Group.

GROSS PROFIT

Gross profit amounted to RMB5,706,458,000 (2016: RMB3,337,146,000), representing an increase of approximately 71% as compared with that of last year. The increase in gross profit was mainly due to the increase in the total gross floor area completed and delivered during the year of 2017. The gross profit margin was approximately 33% (2016: 29%), representing an increase of approximately 4 percentage points as compared with that of last year.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates was RMB137,379,000 (2016: loss of RMB44,030,000), representing a year-on-year surge of approximately 412%, which was attributable to the completion of a project of an associate Nanjing Shizhaoquansheng Property Company Limited* (南京世招荃晟置業有限公司) in 2017 and carrying forward of the revenue thereof.

FINANCE COSTS

In June 2015, the Company's direct wholly-owned subsidiary completed the issuance of a guaranteed convertible bonds due in June 2020 (credit enhanced until July 2018) in the aggregate principal amount of US\$290,000,000 bearing coupon rate at 0.50% per annum. In December 2013, the Company issued a five-year term credit enhanced bonds in an aggregate principal amount of US\$500,000,000 bearing coupon rate of 4.021% per annum.

Total amount of interest of the convertible bonds and bonds amounted to approximately RMB135,788,000 (2016: RMB104,667,000) was recognised in the finance costs for the year of 2017.

NET FOREIGN EXCHANGE GAINS

Exchange gains were noted for the year ended 31 December 2017. The exchange gains recorded during the year of 2017 were mainly due to the significant appreciation of RMB against United States Dollars (“US\$”).

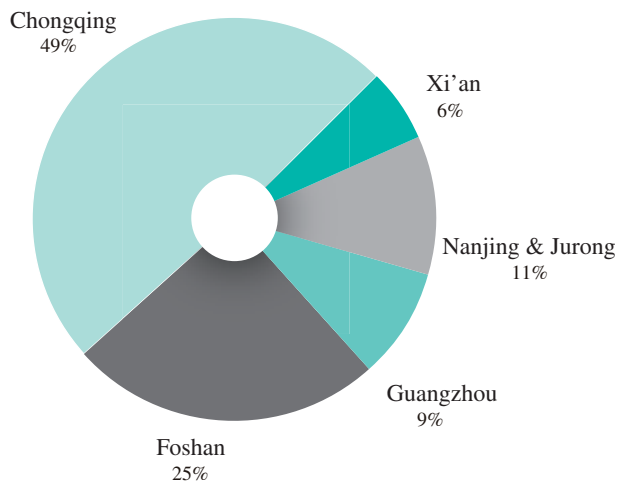
BUSINESS REVIEW

Property Development Business

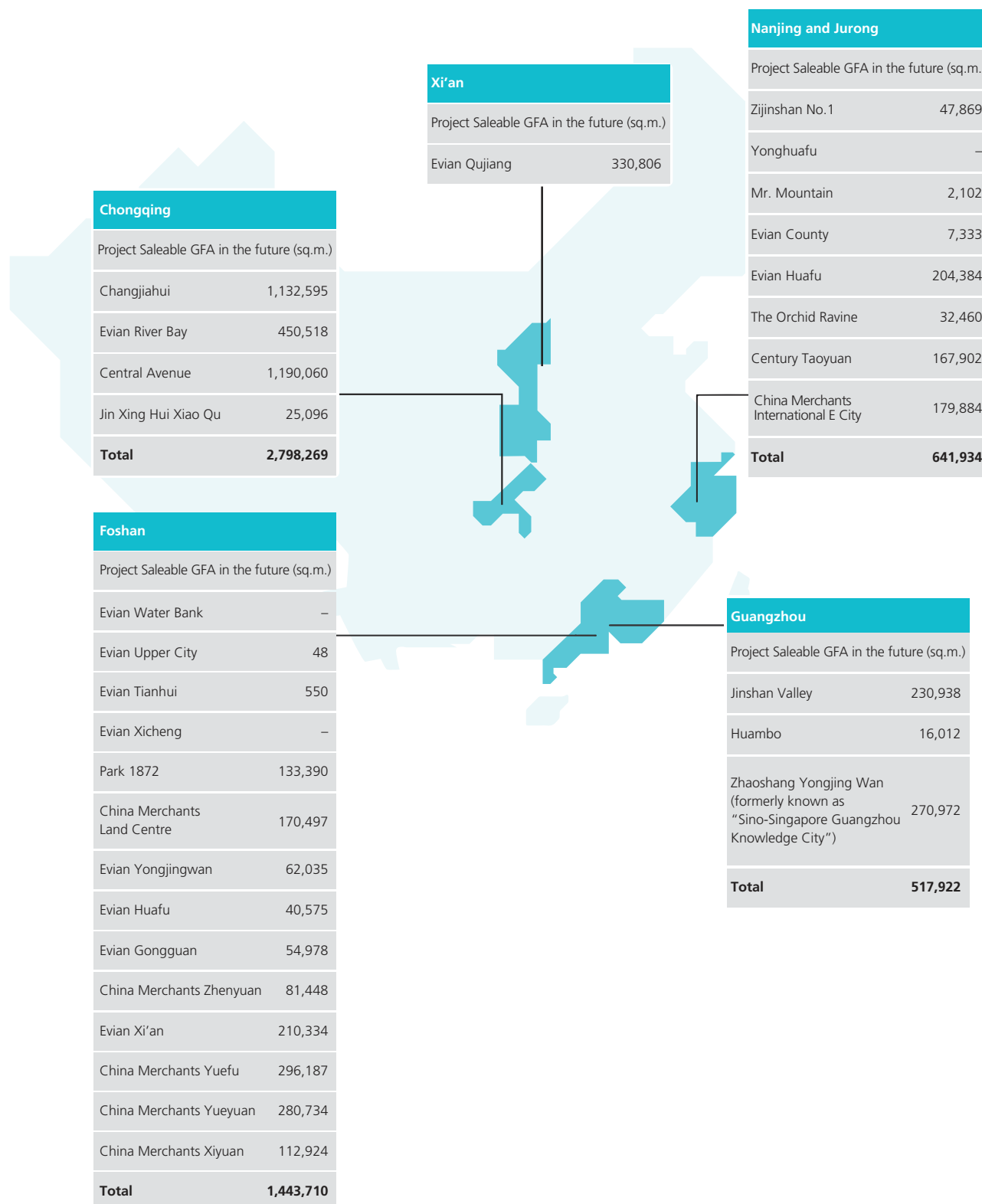
As at 31 December 2017, the Group’s portfolio of property development projects consisted of 27 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi’an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, villas, offices and retail shops, etc.

Below are the 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. The saleable gross floor area (“GFA”) of the properties comprising the projects which had not been sold or pre-sold as at 31 December 2017 (“Land Bank”) was 5,732,641 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 2017



The table below shows the details of the Group's property development projects as at 31 December 2017 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:

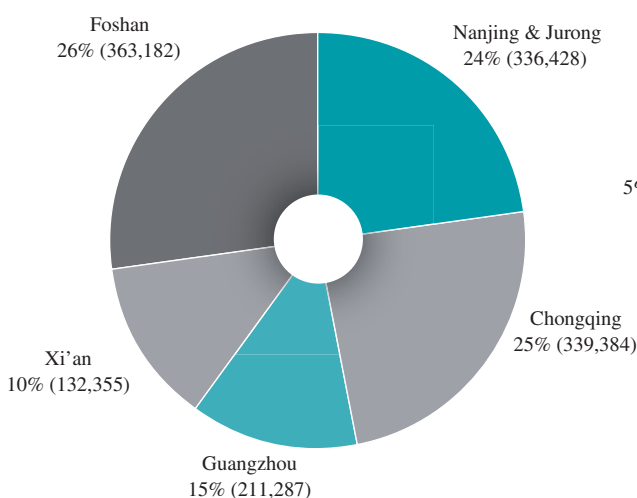
Project	The Company's attributable interest in the projects	Total GFA 2017-12-31	Future Total GFA Saleable 2017-12-31	GFA completed 2017-12-31	Total GFA saleable/rentable 2017-12-31	Of which sold and delivered 2017-12-31	Of which sold but not yet delivered 2017-12-31	Of which pre-sold/ held for investment 2017-12-31	GFA under development 2017-12-31	Total GFA saleable/rentable 2017-12-31	Of which sold 2017-12-31	GFA 2017-12-31	Total GFA saleable/rentable 2017-12-31
Evian Water Bank	50%	655,716	-	655,716	599,397	599,397	-	-	-	-	-	-	-
Evian Upper City	50%	355,992	48	355,992	819,912	819,840	-	72	-	-	-	-	-
Evian Tianhu	50%	293,503	550	293,503	272,364	271,594	220	550	-	-	-	-	-
Evian Xicheng	50%	438,393	-	438,393	-	-	-	-	-	-	-	-	-
Park 1872	100%	308,694	133,390	151,311	129,732	98,888	5,720	25,124	157,383	140,674	32,408	-	-
China Merchants Land Center	51%	222,684	170,497	222,684	166,345	25,884	234	140,227	-	166,345	26,118	-	-
Evian Yongjingwan	50%	233,852	62,035	233,852	210,901	137,214	11,652	62,035	-	-	-	-	-
Evian Huaifu	50%	381,705	40,575	279,904	259,214	240,009	1,113	18,092	101,801	98,731	76,247	-	-
Evian Gongguan	55%	317,111	54,978	238,096	231,347	187,958	9,834	33,555	79,015	76,832	55,409	-	-
China Merchants Zhenyuan	50%	133,683	81,448	133,683	117,432	35,047	937	81,448	-	-	-	-	-
Evian Xi'an	60%	235,777	210,344	-	-	-	-	-	235,777	210,344	-	-	-
China Merchants Yuefu	100%	315,910	296,187	-	-	-	-	-	107,014	100,696	-	208,896	195,491
China Merchants Yueyuan	100%	306,452	280,734	-	-	-	-	-	84,126	296,187	-	222,326	207,695
China Merchants Xiyuan	100%	126,736	112,924	-	-	-	-	-	126,736	112,924	-	-	-
Foshan subtotal		4,326,208	1,443,710	3,003,134	2,806,644	2,415,831	29,710	361,103	891,852	1,202,733	190,182	431,222	403,186
Jinshan Valley	100%	1,280,419	230,938	1,126,095	-	-	-	-	154,324	103,603	-	-	-
Huambo	51%	126,202	16,012	126,202	-	-	-	-	-	-	-	-	-
Sino-Singapore Guangzhou Knowledge City	60%	392,674	270,972	-	286,774	-	15,802	270,972	392,674	286,774	15,802	-	-
Guangzhou subtotal		1,799,295	517,922	1,252,297	286,774	-	15,802	270,972	546,998	390,377	15,802	-	-

Project	The Company's attributable interest in the projects	Total GFA		Future Total GFA Saleable	GFA completed		Total GFA saleable/rentable		Of which sold and delivered		Of which sold but not yet delivered		Of which pre-sold/ held for investment		GFA under development		Total GFA saleable/rentable		Of which sold		Total GFA saleable/rentable	
		2017-12-31	2017-12-31		2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2017-12-31
Changjiahui	50%	1,896,259	1,132,595	433,940	-	-	-	-	-	-	-	-	-	-	359,647	628,739	291,589	1,102,672	795,445	-	-	-
Evian River Bay	100%	533,692	450,518	165,473	155,297	56,595	12,604	86,098	-	-	-	-	-	-	-	-	-	368,219	-	-	-	-
Central Avenue	50%	1,546,633	1,190,060	192,659	188,133	130,513	1,808	55,812	613,237	663,110	740,737	267,524	738,661	-	-	-	-	-	-	-	-	-
Jin Xing Hui Xiao Qu	100%	97,594	25,096	-	95,437	67,659	2,682	25,096	97,594	-	-	-	-	-	-	-	-	-	-	-	-	-
Chongqing subtotal		4,074,178	2,798,269	792,072	438,867	254,767	17,094	167,006	1,070,478	1,291,849	2,211,628	559,113	1,534,106									
Zijunshan No.1	51%	213,870	47,869	213,870	145,376	97,478	29	47,869	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yonghuafu	51%	179,048	-	179,048	151,772	151,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.Mountain	26%	73,496	2,102	73,496	59,023	56,546	375	2,102	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Evian County	26%	212,974	7,333	212,974	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chian Merchants International E City	70%	366,082	179,884	232,572	-	-	-	-	133,510	-	-	-	-	-	-	-	-	-	-	-	-	-
Evian Huafu	51%	339,174	204,384	141,347	-	-	-	-	217,827	-	-	-	-	-	-	-	-	-	-	-	-	-
The Orchid Ravine	51%	345,465	32,460	284,652	273,737	216,686	55,745	1,306	60,813	32,252	20,997	-	-	-	-	-	-	-	-	-	-	-
Century Taoyuan	51%	221,112	167,902	-	-	-	-	-	221,112	167,902	-	-	-	-	-	-	-	-	-	-	-	-
Nanjing subtotal		1,971,221	641,934	1,337,959	629,908	522,482	56,149	51,277	633,262	200,154	20,997											
Evian Quijiang	100%	538,534	330,806	239,144	239,144	194,039	8,348	36,757	299,390	294,049	-	-	-	-	-	-	-	-	-	-	-	-
Xi'an in total		538,534	330,806	239,144	239,144	194,039	8,348	36,757	299,390	294,049	-	-	-	-	-	-	-	-	-	-	-	-
Total		12,709,436	5,732,641	6,624,606	4,401,337	3,387,119	127,103	887,115	3,441,980	3,379,162	2,642,850	786,094	1,937,292									

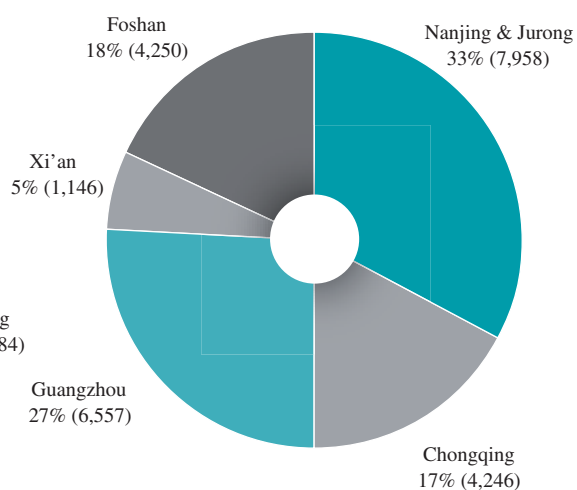
Contracted sales

For the year of 2017, the Group, together with its associated companies and joint venture companies, recorded contracted sales amount of approximately RMB24,156,757,000 in aggregate from five cities and the contracted sales area in aggregate was approximately 1,382,636 sq.m..

**2017 contracted sales in area
by region (sq.m.)**



**2017 contracted sales amount
by region (RMB million)**



Newly Acquired Land Bank

The newly acquired lands over which the Group has a majority control as at 31 December 2017 are as follows:

Projects	Total consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium (RMB/sq.m.)
Foshan Gaoming	135	60,122	90,183	1,500
Foshan Jiujiang	2,015	81,357	231,867	8,690
Chongqing China Merchants Yundi	581	11,312	89,365	6,501
Foshan Sanshui	1,614	70,500	225,600	7,154
Nanjing Jiangning District	2,240	91,000	220,200	10,174

Foshan

In 2017, contracted sales amount in Foshan was approximately RMB4,250 million and contracted sales area was 363,182 sq.m. As at 31 December 2017, total GFA of the Group's projects in Foshan reached 4,326,208 sq.m. and the saleable GFA in the future with amount to 1,443,710 sq.m.

In 2017, sales of the Group's projects in Foshan mainly comprised of Evian Xicheng and Evian Tianhui:

- Evian Xicheng is the Company's first project located in Shishan Town which will be developed into a high-quality residential community. Comprising of individual villas, semi-detached houses and high-rise apartments, the first ecological living community in Shishan Town will be established along the hillside, which is featured with Spanish style and luxurious design including three-room boutique apartment of 90 sq.m. to luxury townhouse of 200 sq.m..
- Located at Nanping South Road of Guicheng, Nanhai, Foshan, Evian Tianhui is a one of the few top luxurious residential projects on sale in Qiandeng Lake, Guicheng, Nanhai District. The sample room on the 30th floor of block 5 enables buyers to experience a magnificent lake view room with an area of 260 sq.m., 6 meters height plus horizontal living room. The spacious room with baronial style makes the project to be known for an excellent design among luxurious properties in Qiandeng Lake. Such 6 meters height x 8.1 meters width room coupled with splendid design resembles an impressive palace, in which bedrooms, living rooms and study rooms are all facing south, showing a panoramic view of Qiandeng Lake.

Guangzhou

In 2017, contracted sales amount in Guangzhou was approximately RMB6,557 million and contracted sales area was 211,287 sq.m., As at 31 December 2017, total GFA of the Group's projects in Guangzhou reached 1,799,295 sq.m. and the saleable GFA in the future will amount to 517,922 sq.m.

Guangzhou Yonghuafu project has a site area of 56,000 sq.m., a gross floor area of 169,000 sq.m. and a plot ratio of 3.0. Situated in the third core district of Guangzhou where the Olympic Sports Center is located, the project is a low-density, large-scaled ecological residential community. Under the current plan, there will be 11 high-rise apartment buildings and 23 originally designed MINI villas, equipped with a double five-star standard central garden and outdoor swimming pool.

Chongqing

In 2017, contracted sales amount in Chongqing was approximately RMB4,246 million and contracted sales area was 339,384 sq.m.. As at 31 December 2017, total GFA of the Group's projects in Chongqing reached 4,074,178 sq.m. and the saleable GFA in the future will amount to 2,798,269 sq.m.

In 2017, sales of the Group's projects in Chongqing mainly comprised of Changjiahui, Central Avenue and Jin Xing Hui Xiao Qu:

- Changjiahui is an urban complex project comprising multi-commercial facilities. Located at the junction of Chang Jiang and Jia Ling Jiang, and the centre of CBD at Nanbin Road, which is within the same proximity where the CBD of Chongqing People's Liberation Monument and the CBD of Jiang Bei Zui are situated. It has now become the convergence of commercial and financial golden delta featuring international trends and characteristics in Chongqing.
- Located at the Standard Sub-zone F, Lianglu Zone, Yubei District, Chongqing, the Central Avenue is a comprehensive community with residences, retails and office functions covering a total site area of 40 hectares, where New Aerial Port City is situated. The Central Avenue is in proximity to Conference and Convention Centre, Chongqing International Expo Centre. This region is assessable by convenient transportation network. Meanwhile there are several stops of Light Rail Line 3 and 6 in New Aerial Port City and Central Avenue is close to the panoramic Central Park.
- Jin Xing Hui Xiao Qu is mainly a residential project comprising three high-rise buildings, one block of sky shops and frontage shops. Located at the International Commerce and Trade Headquarters within the Guanyinqiao Commercial Center as well as the junction of Yao Zi Qiu and Xiao Yuan Pian Qu, the project links Yu Ao Avenue and all key hot spots. There are commercial, parks, education, medical facilities as well as supermarkets and hotels nearby which satisfy various needs in everyday life.

Nanjing and Jurong

In 2017, contracted sales amount in Nanjing and Jurong was approximately RMB7,958 million and contracted sales area was 336,428 sq.m.. As at 31 December 2017, total GFA of the Group's projects in Nanjing and Jurong reached 1,971,221 sq.m. and the saleable GFA in the future will amount to 641,934 sq.m.

In 2017, strong sales of the Group's projects in Nanjing and Jurong mainly comprised of The Orchid Garden and Yulan Fu:

- Located in Gulou District and Yan Road, the Orchid Garden is a residential urban complex project with an area of 550,000 sq.m. It is the largest urban complex in Nanjing so far, and it also has the most powerful driving energy.
- Yulan Fu is situated at the Eastern Avenue of Pukou District. Overturning the original image of Jiangbei where there is rigid demands, the project has been designed as a brand-leading high-end real estate which adopts domestic advance technologies and brands for all components from decoration standard, level of scenic beauty, façade, hardened flooring to information technologies. High investment has been devoted to create an excellent high-end property, providing a new choice for citizens in Jiangbei.

Xi'an

In 2017, contracted sales amount in Xi'an was approximately RMB1,146 million and contracted sales area was 132,355 sq.m., As at 31 December 2017, total GFA of the Group's projects in Xi'an reached 538,534 sq.m. and the saleable GFA in the future will amount to 330,806 sq.m..

Evian Qujiang is a residential project located at the second phase of Qujiang New Town, Xi'an., connected to Nan San Huan, Hangtai Main Road and in proximity to Subway Line 4. The project is close to the top three parks in the city. It only takes 10 minutes' drive to directly access the core of the first phase of Qujiang, which caters for diversified needs such as shopping, entertainment, and food and beverage.

Electronic Trading Business and Property Related Procurement Business

The Group will balance the synergies in property related procurement business and the main business in property development to determine the resources to be allocated to the trading procurement business.

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 31 December 2017, the net assets attributable to owners of the Company amounted to RMB7,414,598,000 (2016: RMB5,993,416,000).

In June 2015, the Company's direct wholly-owned subsidiary completed the issuance of the guaranteed convertible bonds due in June 2020 (credit enhanced until July 2018) in the aggregate principal amount of US\$290,000,000 bearing coupon rate at 0.50% per annum ("Convertible Bonds"). In December 2013, the Group completed the issuance of five-year term credit enhanced bonds in the aggregate principal amount of US\$500,000,000 bearing coupon rate of 4.021% per annum ("Bond"). The rates of the Convertible Bonds and the Bond, which are fixed and unchanged during their subsisting period, bear simple interest rather than compound interest and the interest are payable half-yearly. Both the Convertible Bonds and the Bond are listed on the Stock Exchange, since 24 June 2015 and 12 December 2013 respectively. The fund raised from the issuance of the Convertible Bonds and the Bond are for the purpose of general corporate use.

Holder of the Bond exercised redemption right to redeem the Bond with an aggregate principal amount of US\$500,000 during the period from 1 June 2016 to 30 June 2016. The redemption had been settled on 14 July 2016 and had no impact to the capital usage of the Company.

As at 31 December 2017, bank balances and cash was RMB5,100,692,000 (2016: RMB5,810,922,000). In terms of currency denomination, bank balances and cash can be divided into RMB5,087,647,000 in Renminbi, RMB3,140,000 in US\$ and RMB9,905,000 in Hong Kong dollars ("HK\$").

As at 31 December 2017, total interest-bearing debt of the Group was RMB15,233,460,000 (2016: RMB14,684,380,000). In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bonds) can be divided into RMB6,502,035,000 repayable within one year, RMB896,118,000 repayable after one year but within two years and RMB2,911,877,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB9,653,525,000 in Renminbi and RMB5,579,935,000 in US\$.

At 31 December 2017, the Group's net interest-bearing debt (total interest-bearing debt minus bank balances and cash) to equity ratio (including non-controlling interests) (the "net gearing ratio") was 47% (2016: 63%). 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 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. As the Convertible Bonds and the Bond were denominated in US\$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US\$ exchange rates and might consider hedging should the need arises.

NON-COMPETITION DEED

To minimise actual and potential competition, the Group and CMPD 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 CMSK^{Note 1} had entered into a deed of amendment and novation ("Novation Deed") 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}.

Pursuant to the Non-Competition Deed (as amended by the Novation Deed), (i) CMSK and its subsidiaries (excluding the Group) ("CMSK Group") will not compete with the Group in the cities of Foshan, Guangzhou, Chongqing and Nanjing ("Target Cities") except for certain operation transitional assets ("Operation Transitional Assets") located in three out of the four Target Cities ("Overlapping Target Cities") which would be retained by CMSK Group but managed by the Group under certain operation agreement entered into between the Group and CMSK; (ii) the Group will not compete with CMSK in 21 other cities in the PRC ("CMSK Cities"); (iii) and the Group will have a right of first refusal to conduct property business in any city in which neither CMSK nor the Group has any property business as at the date of the Non-Competition Deed. For details of the Non-Competition Deed, the Overlapping Target Cities, Operation Transitional Assets and the CMSK Cities, please refer to the section headed "Relationship with the Controlling Shareholders" in the circular of the Company dated 10 October 2013.

The independent board committee comprising all the independent non-executive Directors of the Company, had (i) reviewed the quarterly 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 the Non-Competition Deed by CMSK Group and the Group during the year ended 31 December 2017; and (iii) confirmed that the terms of the Non-Competition Deed had been complied with by CMSK Group and the Group during the year ended 31 December 2017.

The Group will continue focusing on developing its property development business in the 4 Target Cities and the 2 new cities entered in 2014.

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 paragraphs 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.

OUTLOOK AND PROSPECTS

Looking ahead in 2018, sustainable global economic growth is anticipated. Yet the spring up of trade protectionism, expected interest rise and the geopolitics remain risky to global economy.

As China is moving towards economic reforms with a key focus on high quality, the long-term mechanism advocating rental housing is imperative. It is expected that more hire purchase projects will be launched in the first and second tier cities in 2018, while the performance of the third and fourth tier cities will be further fallen back as the spillover effect subsides. Under the keynote that "Houses are built for residence, not for speculation", together with more stringent regulation and intensified macro-controlling policies, the comprehensively strict market controls involving restrictions on housing purchases, loans, prices and sales will continue. A new era for the real estate industry of China is going to kick off in an orderly manner in 2018.

Adhering to the principle of “sustained intensive engagement and innovative development”, the Group will continue to develop its business by leveraging on the abundant inventory resources of China Merchants Group and CMSK and fully capitalizing on the advantages of overseas listing, so as to facilitate corporate transformation as well as active exploration and grasping of market opportunities.

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 2017, the Group had 726 (2016: 661) employees in the PRC and Hong Kong.

The Group determines its staff remuneration based on various factors such as qualifications, years of experience, 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 2017.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounted to RMB3,572,819,000 as at 31 December 2017 (2016: RMB3,636,746,000).

PLEDGE OF ASSETS

As at 31 December 2017, land located in Chongqing and Jurong with carrying values of approximately RMB430,008,000 (2016: RMB362,110,000) have been pledged to secure bank borrowings amounting to RMB152,000,000 (2016: RMB170,000,000) granted to the Group.

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

During the year of 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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 (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 2017, including the internal controls, financial reporting matters, accounting principles and practices adopted by the Group.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

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 2017 as set out in this preliminary results announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2017, 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.

Code Provision A.6.7 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 (“Mr. XU”) and Ms. LIU Ning, both are non-executive Directors and Dr. SHI Xinping and Mr. HE Qi, an independent non-executive Director, did not attend the annual general meeting (the “AGM”) and extraordinary general meeting of the Company held on 28 April 2017 due to other business engagement. Mr. XU, Mr. HUANG Junlong, and Dr. YAN Chengda, all are non-executive Directors, did not attend the extraordinary general meeting of the Company held on 19 December 2017 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Company’s shareholders.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. XU, chairman of the Board, could not attend the AGM held on 28 April 2017 due to other business engagement which was a deviation from Code Provision E.1.2. 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.

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 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting of the Company to be held on Friday, 27 April 2018 at 10:30 a.m., the register of members of the Company will be closed from 24 April 2018 to 27 April 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 23 April 2018.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year of 2017 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, 20 March 2018

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong, Dr. YAN Chengda 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.