招商局商業房託基金
China Merchants Commercial REIT

China Merchants Commercial Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 1503)

Managed by
China Merchants Land Asset Management Co., Limited

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors ("**Board**") of China Merchants Land Asset Management Co., Limited ("**Manager**") as manager of China Merchants Commercial Real Estate Investment Trust ("**CMC REIT**") is pleased to announce the audited financial results of the CMC REIT and its subsidiaries for the year ended 31 December 2020 ("**Reporting Year**") as follows:

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2020	For the period from 15 November 2019 (date of establishment of CMC REIT) to 31 December 2019 ("**2019 Relevant Period**")
Revenue (RMB'000)	**370,125**	28,759
Net property income (RMB'000)	**273,943**	17,688
Distributable income (RMB'000)	**162,667**	12,245
Payout ratio	**100%**	100%
Distribution per unit (HK$)	**0.1721**	0.0122
Distribution per unit Yield[1]	**7.0%**	N/A
Committed Distribution per unit (HK$)	**0.2360**	0.0142
Committed Distribution per unit Yield[2]	**9.6%**	N/A

Notes:

(1) Based on the closing price of the units of CMC REIT on 31 December 2020 and the distribution per unit for the year ended 31 December 2020.

(2) Based on the closing price of the units of CMC REIT on 31 December 2020 and the committed distribution per unit for the year ended 31 December 2020.

	31 December 2020	31 December 2019
Total assets[1] (RMB million)	**7,207**	8,078
Net assets attributable to unitholders (RMB million)	**3,910**	3,787
Net assets per unit attributable to unitholders (RMB)	**3.47**	3.36
Value of Portfolio (RMB million)	**6,644**	6,609
Gearing Ratio[2]	**27.9%**	23.4%

Notes:

(1) The Unassigned Frontier Payables (as defined in the Offering Circular dated in 28 November 2019) amounted to RMB956 million was fully settled within the year of 2020.

(2) This is calculated by dividing total borrowings over total assets.

DISTRIBUTION

The total distributable income is the consolidated profit after tax, before distribution to unitholders as adjusted to eliminate the effects of the Adjustments as set out in the Trust Deed ("**Distributable Income**"). For the details of the Adjustment, please refer to the section headed "Distribution Statement". The Distributable Income for the Reporting Year is approximately RMB162.67 million (2019: RMB12.25 million). The distribution per unit to the unitholders of CMC REIT ("**Unitholders**") for the Reporting Year based on the Distributable Income, the Annualised Provisional DPU (as defined in the Offering Circular), is HK$0.1721 (equivalent to approximately RMB0.1442 per unit).

Pursuant to the Trust Deed, CMC REIT is required to distribute to the Unitholders no less than 90% of its Distributable income of each financial period. The Manager intends to distribute to the Unitholders 100% of the Distributable Income for 2020.

Pursuant to the DPU Commitment (as defined in the offering circular of CMC REIT dated 28 November 2019 ("**Offering Circular**")), Eureka Investment Company Limited ("**Eureka**") has undertaken to make a cash payment to the trustee of CMC REIT ("**Trustee**") for the benefit of CMC REIT if the Annualised Provisional DPU is less than the Annualised Committed DPU (as defined in the Offering Circular) for each Relevant Period (as defined in the Offering Circular), so that in such circumstances the annualised distribution per Unit of CMC REIT for the Relevant Period shall be equal to the Annualised Committed DPU. The Annualised Committed DPU for year ended 31 December 2020 is HK$0.2360 per Unit.

Including cash payments received under the DPU Commitment, the distribution per unit for the period from 1 July 2020 to 31 December 2020 ("**Final Distribution per Unit**") is HK$0.1551. Together with the interim distribution per unit of HK$0.0809, the total distribution per unit for the Reporting Year amounted to HK$0.2360, equivalent to a distribution yield of 9.6%, based on the closing price of CMC REIT on 31 December 2020 (being HK$2.45).

The distribution for the period from 1 July 2020 to 31 December 2020 ("**Final Distribution**") will be paid to entities regarded as Unitholders as at the record date (as described in detail under the heading of "CLOSURE OF REGISTER OF UNITHOLDERS"). As such, those who are not regarded as Unitholders on the record date have no entitlement to the Final Distribution.

The Final Distribution will be paid in Hong Kong dollars. The exchange rate used to determine the Final Distribution was the average central parity rate as announced by the People's Bank of China for the five business days preceding the date of this results announcement for the Reporting Year (being RMB1: HK$1.1932).

CLOSURE OF REGISTER OF UNITHOLDERS

For the purpose of determining the distribution entitlement for the Final Distribution, the register of Unitholders of CMC REIT will be closed from Thursday, 8 April 2021 to Monday, 12 April 2021, both days inclusive, during which period no transfer of units will be registered, and the record date will be on Monday, 12 April 2021. In order to qualify for the Final Distribution, all unit certificates with completed transfer forms must be lodged with the unit registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 7 April 2021. The payment of Final Distribution will be made to Unitholders on Friday, 28 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

2020 was an eventful year as the COVID-19 pandemic triggered an unprecedented global crisis. Benefiting from the central government's strong epidemic prevention and control measures and effective monetary and fiscal stimulus, China managed to keep the epidemic under control, thus minimizing disruption to work and industrial output. With this steady rebound, China was the first to record positive growth among the world's major economies. Its GDP also exceeded RMB100 trillion, demonstrating the Chinese economy's strong resilience.

As 2020 was the 40th anniversary of the establishment of the Shenzhen Special Economic Zone ("**SEZ**"), the central government took the opportunity to issue a new five year development blueprint for the SEZ (深圳建設中國特色社會主義先行示範區綜合改革試點實施方案(2020-2025年)) to promote a higher level of Shenzhen-Hong Kong cooperation, enhance Shenzhen's role as a "core engine" in the development of the Greater Bay Area of China and promote reforms in all aspects. Specific elements of the blueprint (深圳建設中國特色社會主義先行示範區綜合改革試點首批授權事項清單) emphasize creating a market-oriented and legally well-defined business environment and grant Shenzhen greater autonomy in approving land use and rezoning, improving resource allocation efficiency.

In 2020, the office leasing market in Shenzhen was weak. New supply and relatively weak demand due to the pandemic led to a high vacancy rate, with the figure hitting 25.1% at the end of 2020. The vacancy rate in Nanshan District was 33.8%, the highest level among all office districts. At the same time Shenzhen office rents weakened, and the average monthly rent fell to RMB211.49/sq.m. at the end of 2020, a decline of 12.8%. In comparison, the average monthly rent in Nanshan District declined 12.4% to RMB193.57/sq.m. Shenzhen will see explosive growth in new supply in 2021. The newly-built offices in Nanshan will account for more than 70% of the total office supply in Shenzhen. Competition for tenants is expected to intensify in Nanshan. The retail leasing market in Shenzhen in 2020 can be divided into two phases. In the first half of 2020, affected by the pandemic, rents and occupancy basically stagnated or even declined to a certain extent. As the pandemic came under control, the market gradually recovered in the second half of the year, and a rebound in consumer spending gave a boost to demand for retail space. Approximately 530,000 sq.m. of new commercial space was introduced in 2020, which drove vacancy rates in Shenzhen to 9.6%. In contrast, the vacancy rate in Nanshan stood at 13.7%, higher than the rest of Shenzhen. The average rent per sq.m. of usable space for the ground floor of commercial properties stood at RMB818/sq.m. in Shenzhen, a year-on-year decrease of 12.9%. Starting from 2021, new supply of more than 1 million square metres of high-grade commercial space is expected, which may trigger additional volatility in vacancy rates and rents. However, in the medium to long term, the continuous influx of people into Shenzhen and the accompanying demographic decline in age will continue to sustain a healthy expanding office and commercial real estate sector.

Property Overview

	Occupancy rate		Valuation		Passing Rent	
	As at 31 December 2020	As at 31 December 2019	**As at 31 December 2020**	As at 31 December 2019	**As at 31 December 2020**	As at 31 December 2019
	%	%	***RMB million***	*RMB million*	***RMB/sq.m.***	*RMB/sq.m.*
New Times Plaza	**91.9**	96.4	**2,065**	2,061	**174.6**	170.0
Cyberport Building	**72.9**	74.0	**1,042**	1,039	**123.3**	122.5
Technology Building	**83.7**	100.0	**868**	868	**104.1**	103.4
Technology Building 2	**74.4**	92.6	**1,082**	1,082	**111.9**	111.5
Garden City Shopping Centre	**91.5**	76.0	**1,587**	1,559	**166.6**	176.0
Total Property Portfolio	**84.3**	88.0	**6,644**	6,609		

The overall occupancy rate of property portfolio decreased from 88.0% as at 31 December 2019 to 84.3% as at 31 December 2020, representing a decrease of 3.7 percentage points.

As at 31 December 2020, revaluation of the properties was carried out by Cushman & Wakefield Limited, an independent property valuer serving as the principal valuer of CMC REIT. The revalued market value increased from RMB6,609 million as at 31 December 2019 to RMB6,644 million as at 31 December 2020.

During the Reporting Year, the passing rental rates at the offices properties were relatively stable and rose slightly. Meanwhile, on the retail front, there is still great pressure on retailers despite the stable epidemic situation in Shenzhen and rental rates remain under pressure.

New Times Plaza

Affected by the epidemic and excessive supply of high-end office buildings in Shenzhen in 2020, rental rates of Grade A office buildings in Shenzhen continued to decline as vacancy rates rose, and market competition became increasingly intense. In March and April, several tenants occupying 4,063 square metres in total moved out of New Times Plaza. As the Manager adopted more flexible leasing strategies and provided new value-added services, in the second half of the year, the occupancy rate gradually recovered from a low of 83.0% to 91.9%. The rental rates of newly signed leases also increased slightly in the second half.

Cyberport Building, Technology Building and Technology Building 2

Tenants of Cyberport Building, Technology Building and Technology Building 2 are mostly start-ups and small to medium-sized enterprises whose operations were greatly affected by the epidemic. Some tenants terminated leases early due to their inability to continue operating or moved to cheaper peripheral properties. In 2020, the occupancy rates of Cyberport Building, Technology Building and Technology Building 2 decreased by varying degrees due to the above reasons, but the average rents for newly signed tenants at all three buildings managed to increase marginally. In the fourth quarter of 2020, a major tenant brought forward a need to lease the entire Technology Building. After negotiation, the Manager planned to relocate its existing tenants from Technology Building to Technology Building 2 or Cyberport Building in 2021, so as to lease Technology Building as a whole to this major potential tenant. In addition, several parties are presently negotiating for space in Technology Building 2, and some of these leases will commence in the first quarter of 2021. To sum up, the occupancy rates of Cyberport Building, Technology Building and Technology Building 2 are expected to recover in 2021.

Garden City Shopping Centre

Due to the impact of COVID-19, the business environment at Garden City deteriorated sharply in 2020. The number of shoppers suffered a sharp drop in the first half of the year, generating great pressure on tenants. In view of above situation, anti-pandemic measures to enhance the safety of the shopping environment were firstly introduced by the Manager. In addition, the Manager provided rental concessions to different degrees to help tenants tide over the difficult times and to rebuild confidence. Various promotional activities to increase footfall and improve the shopping atmosphere were also organized. With the renovation and trial operation of the space previously occupied by Bauhinia City in the fourth quarter, the footfall of Garden City recovered to the same level as previous years, and the occupancy rate also increased to 91.5%.

Financial Performance

CMC REIT was impacted by the COVID-19 pandemic, and revenue decreased in 2020. Total revenue for the Reporting Year was RMB370.1 million, RMB22.3 million less than the revenue for 2019. This was primarily due to once off rent concessions amounting to approximately RMB23.8 million that were provided to tenants during the year. Correspondingly, total rental income for CMC REIT weakened 6.7%, to RMB312.5 million, as compared to RMB335 million from the same period in 2019.

Rental income and rent concessions for each property

	Rental Income *RMB' million*	Rent Concessions *RMB' million*
New Times Plaza	115.4	4.2
Cyberport Building	34.9	2.3
Technology Building	42.8	2.3
Technology Building 2	40.9	2.4
Garden City Shopping Centre	78.5	12.6
Total	312.5	23.8

The property operating expenses of CMC REIT for the Reporting Year were RMB96.2 million. Property management expenses was approximately RMB48.8 million, which contributed to 50.7% of the property operating expenses; operation manager's fee and taxes contributed to 16.2% and 24.8% of the property operating expenses respectively. After deducting property operating expenses, net property income was approximately RMB273.9 million.

The appraised value of the CMC REIT's portfolio increased RMB35 million. Financial costs for the Reporting Year were approximately RMB60 million, representing the interest expense on bank borrowings of approximately RMB55.2 million and the amortization of upfront payments.

Capital Structure

Due to the settlement of the Unassigned Frontier Payables (as defined in the Offering Circular) amounting to 956 million, the total asset of China Merchant Commercial REIT dropped to RMB7,207 million. With total net borrowings of RMB2,013 million, the gearing ratio of China Merchant Commercial REIT was 27.9%, which is below the permitted limit of 50% as required by the amended Code on Real Estate Investment Trusts which took effect on 4 December 2020.

Pursuant to the onshore facility agreement and offshore facility agreement entered into between the banks and the PRC Property Companies (as defined in the Offering Circular) in November 2019, CMC REIT has obtained onshore loan facilities and offshore loan facilities of RMB100 million and RMB2,400 million, respectively. As at 31 December 2020, CMC REIT has drawn down an amount of RMB2,022 million from the abovementioned loan facilities, which is secured and will mature by the end of 2022. The secured term loans bear interest at weighted average fixed rates of 2.72% per annum or HIBOR plus 0.9% per annum.

Net Assets Attributable to Unitholders

As at 31 December 2020, net assets attributable to Unitholders amounted to RMB3,910 million (31 December 2019: RMB3,787 million) or RMB3.47 per Unit (31 December 2019: RMB3.36 per Unit), equivalent to HKD4.12 per Unit (31 December 2019: HKD3.75 per Unit) based on the central parity rate as announced by the People's Bank on 31 December 2020, representing a 68.2% premium to the closing unit price of HKD2.45 on 31 December 2020.

Renovation and Enhancement

After assuming the responsibility of managing the properties, the Manager has thoroughly explored what opportunities there are for asset enhancement. While preserving the original classic designs of the buildings, we have sought to strengthen their competitiveness by retrofitting modern features and intelligent technology to improve the overall quality and functionality of the properties.

New Times Plaza is fully integrating LEED (Leadership in Energy and Environmental Design) and WELL Health-Safety standards into its renovation. To create a healthy and comfortable modern office, the interior renovation focuses on the refurbishment of the lobby and other public areas on each floor, covering key factors such as the lighting system, signage, and building monitoring system. Meanwhile, redesigning greenery, as well as traffic and pedestrian flow will optimize the exterior environment. The renovation program was launched in the third quarter of 2020 and renovation on 2 show floors has been completed. The interior renovation will be completed by the third quarter of 2021 according to our estimates. This will then be followed by the upgrade of the exterior landscape, which is slated to begin at the end of 2021.

For Technology Building 2 and Cyberport Building, we plan to introduce green and ecological interior decorations as part of the renovations of their reception areas, elevator lobbies, and other public areas. We will modify the shared functional area layout to increase operating efficiency and flexibility. This will provide efficient and convenient services that enable start-ups, small and medium-sized enterprises to "move-in without preparation". Renovations commenced in the fourth quarter and the show floor for Cyberport Building has been completed. The asset enhancement of Technology Building 2 and Cyberport Building is estimated to complete in the second half of 2021. Since the Technology Building may be leased entirely to one major tenant, we will await the tenant's input before proceeding with any refurbishment.

Garden City Shopping Centre has repositioned itself and will seek improvement in an all-around way through interior and exterior renovations and a direct access to a subway station. After the refurbishment project, there will also be a more optimal layout with more functional facilities and amenities to provide an excellent shopping and entertaining experience for customers. The Garden City Shopping Center enhancement project will begin in the first half of 2021. During the renovation period, the shopping center will operate normally and enhancement works will proceed by phases flexibly, to minimize the impact on tenants and customers. The asset enhancement project is expected to complete before the launch of Shenzhen Metro Line 12 in 2022.

Asset Enhancement Estimated Cost

	Estimated Cost *RMB Million*
New Times Plaza	77
Cyberport Building	44
Technology Building*	23
Technology Building 2	20
Garden City Shopping Centre	235
Total	399

Note: Since the Technology Building may be leased entirely to one major tenant, we will await the tenant's input before proceeding with any refurbishment. This Budget may change subject to negotiations with the tenant.

Prevention of COVID-19

In the past year, the epidemic came quickly under control in China thanks to the effective prevention and control measures of the central government. The Manager has strictly implemented the government's epidemic prevention requirements throughout the year. It also reinforced the promotion of epidemic prevention by organising relevant educational activities.

For our four office properties, we disinfected and cleaned office and public areas many times a day; installed infrared thermometers and arranged special inspectors to ensure all people wear masks and have their temperatures checked before entering the buildings; cleaned and disinfected air filters in buildings more frequently and put up warning signs of epidemic prevention in public areas. At the Garden City Shopping Center, we disinfected public areas and shops comprehensively at fixed times every day; put in place intelligent thermometers that can automatically check body temperatures for people walking through the main entrance in any direction; provided publicity for epidemic prevention among consumers and merchants, and met each tenant individually to discuss the epidemic.

The result of these epidemic prevention efforts was a remarkable zero cases found throughout the year. At present, it is basically business as normal for the mall's tenants.

In the face of the epidemic, the Manager and tenants worked together to overcome difficulties. The Manager paid close attention to tenants' operations during the epidemic, adopted flexible leasing strategies, and kept close contact with tenants to provide the appropriate support. CMC REIT provided tenants with rent concessions of approximately RMB23.8 million throughout the year. The Manager also cared for the health of tenants and employees, for example, by distributing epidemic prevention supplies such as masks and disinfectants and actively coordinating free nucleic acid tests for employees.

Outlook

2021 will also be a year of uncertainties as economic recovery is closely correlated to the impact of COVID-19. Efforts to make COVID-19 vaccines available to the general populace give some hope to the global economy. This, coupled with the active policy support of governments, should foster a pickup in economic activities across various countries. As China has entered the mid-to-late stage of recovery, its economy has gradually recovered to pre-epidemic levels and its macroeconomic-policy has become neutral again. China's real estate industry in fact may face some headwinds from reduced monetary policy easing and tightened real estate credit.

As CMC REIT's properties are located in Shenzhen, the central government's supportive policies under the Greater Bay Area of China, along with the vibrant environment for technological innovation and open financial services in Shenzhen, will to some degree guarantee the relative stability and longer term growth of its business. Another positive factor is the recently revised Hong Kong Code on Real Estate Investment Trusts, which has relaxed operating limitations on CMC REIT.

In the coming year, the Manager will continue to invest in the upgrading of existing assets to comprehensively improve property quality and drive higher income. Renovation projects are completed within one or two years, in time to deliver a fresh tenant experience before the launch of Metro Line 12. At the same time, the Manager will continue to pay attention to opportunities within and outside of the China Merchants Group that will allow it to inject high-quality assets that expand its investment portfolio. The present imbalance between supply and demand and the rising vacancy rate in Shenzhen's office market has highlighted the benefits of regional diversification, and the Manager will actively seek to add new properties in first-tier cities such as Beijing and Shanghai and also strong second-tier cities at an appropriate time. In view of the trend of growing domestic consumerism and the potential this generates for domestic retail businesses, over time the Manager also intends to increase its exposure to retail projects for a more balanced mix between office and retail for the portfolio.

Also of importance to CMC REIT is it's ESG performance. The Manager is committed to incorporating the concept of sustainable development into CMC REIT's corporate values and business processes. This will strengthen the capability to comprehensively manage and control risks while achieving long-term goals. Meanwhile, the Manager works to reduce carbon emissions and comprehensively improve the efficiency of resource utilisation as an active response to the central government's 14th Five-Year Plan for green development.

The Manager is cautiously optimistic about the prospect of CMC REIT and will make full use of China Merchants Group's high-quality resources to strengthen asset management, to seize market opportunities, to grow returns for Unitholders and to develop optimal win-win solutions for all its stakeholders.

PORTFOLIO HIGHLIGHTS

Tenant's Industry Profile

The following table depict the industry profile of our tenants by reference to their rental area as a percentage of the total GRA as at 31 December 2020, and their percentage contribution to Gross Rental Income in December 2020:

	Percentage of GRA	**Percentage of Monthly Rental Income**
Scientific and information technology	21.4%	19.6%
Real estate	9.3%	14.8%
Department Store	7.8%	12.3%
Food and Beverage	6.7%	10.3%
Life Service	6.6%	6.0%
Leasing and Business Service	7.0%	6.8%
Logistics	4.8%	6.8%
Finance	4.6%	6.1%
Health Care Service	3.9%	3.4%
Construction and Engineering	3.0%	3.2%
Petroleum	2.7%	4.1%
Others	6.5%	6.6%
Vacant	15.7%	–

Note: The Tenants' industry sector are based on the classification of the Manager.

Lease Expiry Profile of the Properties

The following table sets out the tenant expires of the Properties shown as a percentage of their GRA and as a percentage of monthly rental income as of December 2020:

	Percentage of GRA	**Percentage of Monthly Rental Income**
2021	27.1%	38.0%
2022	24.7%	31.1%
2023	17.7%	17.2%
2024 and beyond	14.8%	13.7%
Vacant	15.7%	–

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, policies and procedures have been put in place to promote the operation of CMC REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual (the "**Compliance Manual**") which sets out corporate governance policies as well as the responsibilities and functions of each key officer. The Compliance Manual also clearly defines reporting channels, workflows, and specifies procedures and forms designed to facilitate the compliance of the Manager with various provisions of the Trust Deed, the Securities and Futures Ordinance, the Code on Real Estate Investment Trusts (the "**REIT Code**") and other relevant rules and regulations.

The corporate governance policies of CMC REIT have been adopted having due regard to the requirements under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), with necessary changes as if those rules were applicable to REITs. The Manager has in place a policy on the prevention of misuse of inside information and such policy has been incorporated in the Compliance Manual and communicated to the Manager's Directors and senior management.

CMC REIT previously had ongoing deposit transactions with China Merchants Bank. Such deposit transactions had been in place since the initial public offering of CMC REIT and continued after its listing date. Under the then applicable REIT Code, the deposit transactions constituted continuing connected party transactions of CMC REIT. The Manager had previously erroneously determined the value of such connected party deposit transactions based on the amount of interest CMC REIT was receiving for the deposits placed with China Merchants Bank and, on such basis, only made summary disclosure in the annual and interim reports of CMC REIT. Such transactions should have instead been sized by reference to the monies deposited with the connected party bank and, on such basis, the total value of the connected party deposit transactions exceeded 5% of the Net Asset Value of CMC REIT, thereby necessitating earlier disclosure and Unitholders' approval under Chapter 8 of the then applicable REIT Code for such transactions. As the Manager did not seek Unitholders' approval nor a waiver under the REIT Code for the connected party deposit transactions at the time of listing of CMC REIT and publish the necessary announcement and circular at such time, the Manager was thus not in compliance with Chapter 8 of the then applicable REIT Code.

Unitholders should note that deposit interest rates are standardised among commercial banks in the People's Republic of China, so Unitholders were not disadvantaged in any way. Furthermore, following the amendments to the REIT Code which took effect on 4 December 2020, China Merchants Bank is no longer considered a connected person of CMC REIT. The Manager reported the breach to the Securities and Futures Commission once the non-compliance was discovered and has also transferred the monies deposited with China Merchant Banks to other third party banks.

The Manager has reviewed its internal control procedures in light of the above incident and will continue to review such procedures to ensure that they remain adequate and up-to-date. To ensure that awareness and understanding of connected party transactions amongst the Manager's personnel remain appropriate, the Manager has arranged a training session for its personnel. The Manager will also review its training programme for its personnel on an ongoing basis and ensure that it covers compliance and risk management areas.

Save for the aforementioned, throughout the year ended 31 December 2020, the Manager and CMC REIT had complied with the REIT Code, the relevant provisions of the Securities and Futures Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange applicable to CMC REIT, the Trust Deed and the Compliance Manual in all material respects.

The governance framework of CMC REIT and the corporate governance report for the year ended 31 December 2020 will be set out in the 2020 Annual Report.

EMPLOYEES

CMC REIT is managed by the Manager and does not employ any staff.

NEW UNITS ISSUED

During the Reporting Year, there were no new units issued.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Pursuant to the Trust Deed, the Manager shall not repurchase any units on behalf of CMC REIT unless permitted to do so under the relevant codes and guidelines issued by SFC from time to time. During the Reporting Year, there was no sale or redemption of units by CMC REIT or its wholly-owned and controlled entities.

PUBLIC FLOAT OF THE UNITS

As far as the Manager is aware, not less than 25% of the issued units were held in public hands as at 31 December 2020.

SUMMARY OF ALL SALE AND PURCHASE OF REAL ESTATE

CMC REIT did not enter into any real estate sales and purchases during the Reporting Year.

REVIEW OF FINANCIAL RESULTS

The financial results of CMC REIT for the Reporting Year have been reviewed by the Disclosures Committee and Audit Committee of the Manager in accordance with their respective terms of reference, and audited by the independent auditors of CMC REIT.

PUBLICATION OF ANNUAL REPORT

The annual report of CMC REIT for the Reporting Year will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and CMC REIT at www.cmcreit.com, and will be despatched to Unitholders on Friday, 23 April 2021.

ANNUAL GENERAL MEETING OF UNITHOLDERS

The forthcoming annual general meeting of Unitholders of CMC REIT will be held on Tuesday, 25 May 2021, notice of which will be published and issued to Unitholders in accordance with the Trust Deed in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of CMC REIT's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, distribution statement and the related notes thereto for the Year as set out in this announcement have been agreed by CMC REIT's external auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in CMC REIT'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 this announcement.

By order of the Board
China Merchants Land Asset Management Co., Limited
(as manager of China Merchants Commercial Real Estate Investment Trust)
Mr. HUANG Junlong
Chairman of the Manager

Hong Kong, 16 March 2021

As at the date of this announcement, the Board of the Manager comprises Mr. HUANG Junlong (Chairman), Mr. YU Zhiliang and Ms. LIU Ning as Non-executive Directors, Mr. GUO Jin as Executive Director, and Mr. LIN Hua, Mr. LIN Chen and Ms. LAU Sze Wan, Serena as Independent Non-executive Directors.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	**1.1.2020 to 31.12.2020** *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Revenue	*3*	**370,125**	28,759
Property operating expenses	*4*	**(96,182)**	(11,071)
Net property income		**273,943**	17,688
Exchange gain		**132,730**	6,963
Other income, gains and losses	*5*	**11,038**	935
Increase in fair value of investment properties		**26,032**	28,533
Manager's fee		**(18,074)**	(1,361)
Trust and other expenses		**(6,308)**	(2,031)
Listing expenses		**–**	(7,305)
Finance costs	*6*	**(59,982)**	(2,378)
Profit before tax and distribution to unitholders	*7*	**359,379**	41,044
Income taxes	*8*	**(74,327)**	(12,526)
Profit for the year/period, before distribution to unitholders		**285,052**	28,518
Distribution to unitholders		**(162,667)**	(12,245)
Profit for the year/period, after distribution to unitholders		**122,385**	16,273
Total comprehensive income for the year/period, after transactions with unitholders		**122,385**	16,273
Basic earnings per unit	*9*	**RMB0.25**	RMB0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment properties	10	**6,644,000**	6,609,000
Property, plant and equipment		**535**	291
		6,644,535	6,609,291
Current assets			
Trade and other receivables	11	**8,859**	748
Amounts due from related companies		**69,067**	6,206
Structured deposits		**129,514**	–
Bank balances and cash		**355,320**	1,461,377
		562,760	1,468,331
Total assets		**7,207,295**	8,077,622
Current liabilities			
Trade and other payables	12	**83,417**	83,852
Amounts due to related companies		**18,834**	1,277,199
Distribution payable		**142,073**	14,371
Tax payable		**10,490**	44,279
Secured bank borrowing	13	**620**	–
		255,434	1,419,701
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	13	**2,011,934**	1,887,632
Deferred tax liabilities		**1,030,241**	982,988
Total non-current liabilities, excluding net assets attributable to unitholders		**3,042,175**	2,870,620
Total liabilities, excluding net assets attributable to unitholders		**3,297,609**	4,290,321
Net assets attributable to unitholders		**3,909,686**	3,787,301
Number of units in issue		**1,127,819,549**	1,127,819,549
Net asset value per unit	14	**RMB3.47**	RMB3.36

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Profit for the year/period, before distribution to unitholders	**285,052**	28,518
Adjustments:		
Increase in fair value of investment properties	**(26,032)**	(28,533)
Non-cash finance costs	**4,800**	2,378
Exchange gain	**(132,730)**	(6,963)
Allowance for expected credit losses	**213**	–
Depreciation	**77**	3
Listing expenses	**–**	7,305
Deferred tax	**47,253**	9,537
Overprovision of withholding tax in prior year	**(15,966)**	–
Total distributable income to unitholders ***(note (i))***	**162,667**	12,245
Interim distribution, paid to unitholders *(note (ii))*	**81,932**	–
Final distribution, payable to unitholders *(note (iii))*	**80,735**	12,245
Total distribution for the year/period	**162,667**	12,245
Payout ratio	**100%**	100%
Distribution per unit ("DPU")		
Proposed final distribution per unit to be paid		
Before taking into account the effect of the distribution commitment	**RMB0.1442**	RMB0.0109
After taking into account the effect of the distribution commitment *(note iv)*	**RMB0.1986**	RMB0.0127

Notes:

(i) Pursuant to the Trust Deed, the total distributable income is profit for the year, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated statement of profit or loss and other comprehensive income for the relevant year. CMC REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period. The Manager's policy is to distribute to the Unitholders an amount of 100% of annual total distributable income of CMC REIT for each relevant period from 10 December 2019 ("**Listing Date**") to 31 December 2022, and at least 90% of the total annual distributable income for each financial year thereafter.

(ii) The interim distribution per unit of RMB0.0726 for the six months ended 30 June 2020 is calculated based on the interim distribution of RMB81,932,000 for the period and 1,127,819,549 units in issue as at 30 June 2020.

(iii) The proposed final distribution per unit of RMB0.0716 (2019: RMB0.0109) for the year ended 31 December 2020 is calculated based on the final distribution to be paid to unitholders of RMB80,735,000 (2019: RMB12,245,000) for the year and 1,127,819,549 (2019: 1,127,819,549) units in issue as at 31 December 2020.

(iv) Pursuant to the DPU commitment deed entered into among, Eureka Investment Company Limited ("**Eureka**"), a company with significant influence over CMC REIT, CMC REIT and the Trustee, Eureka has undertaken to make a payment to the Trustee for the benefit of CMC REIT if the annualised provisional DPU is less than the annualised committed DPU for the relevant periods as set out below:

Relevant period	**Annualised committed DPU**
Listing Date to 31 December 2019	HK$0.2360 per unit
12 months ending 31 December 2020	HK$0.2360 per unit
12 months ending 31 December 2021	HK$0.2541 per unit
12 months ending 31 December 2022	HK$0.2614 per unit

The final DPU for the year ended to 31 December 2020 after taking into account the effect of the distribution commitment is HK$0.236 (equivalent to RMB0.1986). The distribution for the period from and including the Listing Date to 31 December 2019 and the interim distribution for the six months ended 30 June 2020 (details set out in notes (i) and (ii)) have been paid together to individuals regarded as unitholders on the record date of the interim distribution for the six months ended 30 June 2020. All distributions are settled in Hong Kong dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

CMC REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKSE**"). CMC REIT is governed by the deed of trust dated 15 November 2019, as amended from time to time (the "**Trust Deed**"), entered into between China Merchants Land Assets Management Co., Limited (the "**Manager**") and the Trustee, and the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Hong Kong Securities and Futures Commission.

The principal activity of CMC REIT is investment holding and its subsidiaries own and invest in income-producing commercial properties in Shekou, Shenzhen with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The consolidated financial statements for the current period cover the twelve months ended 31 December 2020. The corresponding comparative amounts shown for the consolidated financial statements and related notes cover the period from 15 November 2019, the date of establishment of CMC REIT, to 31 December 2019 and therefore may not be comparable with the amounts shown for the current period.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standard Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

3. REVENUE AND SEGMENT INFORMATION

Revenue recognition

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Rental income from office buildings and a shopping centre	**312,544**	22,913
Management fee income	**35,254**	3,765
Carpark income	**7,559**	863
Others	**14,768**	1,218
Revenue from contracts with customers recognised over time	**57,581**	5,846
	370,125	28,759

Segment information

The Group determines its operating segments based on the reports reviewed by the Manager, being the chief operating decision maker (the "**CODM**"), that are used to make strategic decisions. The Group's reportable segments are classified as (i) office buildings; and (ii) shopping centre, which are based on the types of properties held by the Group. Office buildings segment aggregates the operating segments, each being an individual office building, namely New Times Plaza, Cyberport Building, Technology Building and Technology Building 2, on the basis that the similar economic characteristic and nature of services provided. There is no aggregation of operating segment for shopping centre segment.

Segment revenues and results

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

For the year ended 31 December 2020

	Office buildings *RMB'000*	**Shopping centre** *RMB'000*	**Total** *RMB'000*
Segment revenue	**267,048**	**103,077**	**370,125**
Segment results	**218,273**	**92,636**	**310,909**
Exchange gain			**132,730**
Other income			**56**
Manager's fee			**(18,074)**
Trust and other expenses			**(6,308)**
Finance costs			**(59,934)**
Profit before tax and distribution to unitholders			**359,379**
Income taxes			**(74,327)**
Profit for the year, before distribution to unitholders			**285,052**

For the period ended 31 December 2019

	Office buildings *RMB'000*	Shopping centre *RMB'000*	Total *RMB'000*
Segment revenue	19,912	8,847	28,759
Segment results	36,009	11,126	47,135
Exchange gain			6,963
Other income			21
Manager's fee			(1,361)
Trust and other expenses			(2,031)
Listing expense			(7,305)
Finance costs			(2,378)
Profit before tax and distribution to unitholders			41,044
Income taxes			(12,526)
Profit for the period, before distribution to unitholders			28,518

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before tax earned by each segment without allocation of exchange gain, certain other income, gains and losses and other unallocated operating expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. PROPERTY OPERATING EXPENSES

	1.1.2020 to 31.12.2020 ***RMB'000***	15.11.2019 to 31.12.2019 *RMB'000*
Advertising and promotion	**4,133**	1,139
Agency fee	**365**	1,236
Property management expenses	**48,787**	5,188
Operations manager's fee	**15,612**	1,173
Other taxes	**23,831**	2,158
Others	**3,454**	177
	96,182	11,071

5. OTHER INCOME, GAINS AND LOSSES

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Interest income from bank deposits	**6,246**	632
Interest income from structured deposits	**235**	–
Compensation income *(note)*	**3,312**	204
Government subsidy	**1,338**	–
Others	**(93)**	99
	11,038	935

Note: Compensation income represented compensation income from termination of lease contracts.

6. FINANCE COSTS

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Interest expense on bank borrowings	**55,182**	2,178
Amortisation of upfront payments	**4,800**	200
	59,982	2,378

7. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	**2,400**	1,400
Depreciation	**77**	3
Trustee's remuneration	**1,322**	271
Principal valuer's fee	**171**	90
Bank charges	**293**	50
Interest income from bank deposits	**(6,246)**	(632)
Interest income from structured deposits	**(235)**	–

8. INCOME TAXES

	1.1.2020 to 31.12.2020 *RMB'000*	15.11.2019 to 31.12.2019 *RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Current year/period	**42,297**	2,989
Underprovision in prior period	**743**	–
Withholding tax		
Overprovision in prior period	**(15,966)**	–
Deferred tax	**47,253**	9,537
	74,327	12,526

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits in Hong Kong during the current year and prior period.

Pursuant to the rules and regulations of the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the BVI.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory income tax rate of the PRC subsidiaries is 25% for the current year and prior period.

9. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit before distribution to unitholders is based on the profit for the year/period, before distribution to unitholders of RMB285,052,000 (2019: RMB28,518,000) with the weighted average number of units of 1,127,819,549 (2019: 1,127,819,549) in issue during the year.

There were no dilutive potential units during the year ended 31 December 2020 and period ended 31 December 2019, therefore the diluted earnings per unit has not been presented.

10. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	*RMB'000*
FAIR VALUE		
At beginning of the year/period	**6,609,000**	–
Acquisition of subsidiaries	**–**	6,579,000
Additions during the year/period	**8,968**	1,467
Fair value changes on investment properties	**26,032**	28,533
At the end of the year/period	**6,644,000**	6,609,000

The Group's office buildings and a shopping centre are investment properties which are located in Shenzhen, the PRC and are measured using the fair value model.

Investment properties were revalued as at 31 December 2020 by Cushman & Wakefield Limited (the "**Valuer**"). The Valuer has appropriate professional qualifications and experience in the valuation of similar properties in the relevant locations.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**1,654**	348
Deferred rent receivable	**7,205**	–
Deposit	**–**	400
	8,859	748

Trade receivables represent lease receivables. Lease receivables under rental of office buildings and a shopping centre are generally required to be settled by tenants within 30 days upon issuance of demand note.

The following is an ageing analysis of trade receivables, presented based on the date of demand note:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**304**	188
More than 1 months but within 3 months	**165**	–
Over 3 months	**1,185**	160
	1,654	348

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**537**	859
Other tax payables	**1,587**	1,800
Rental receipt in advance	**8,351**	1,883
Receipt on behalf of tenants *(note)*	**10,078**	12,519
Rental deposit received from tenants	**54,661**	57,679
Accruals and other payables	**8,203**	9,112
	82,880	82,993
	83,417	83,852

Note:

The Group collected the turnover of tenants, who operate food and beverage business in a shopping centre, on behalf of them and is obligated to remit to them every half month.

The credit period granted by suppliers to the Group ranges from 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**159**	621
More than 1 month but within 3 months	**–**	21
Over 3 months	**378**	217
	537	859

13. SECURED BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured bank borrowings	**2,021,954**	1,901,832
Loan front-end fee	**(9,400)**	(14,200)
	2,012,554	1,887,632

The maturity of the secured bank borrowings are as follows:

Within one year	**620**	–
More than one year but not exceeding two years	**2,011,934**	–
More than two years but not exceeding five years	**–**	1,887,632
	2,012,554	1,887,632

14. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 31 December 2020 of RMB3,909,686,000 (2019: RMB3,787,301,000) by the number of units in issue of 1,127,819,549 (2019: 1,127,819,549) units as at 31 December 2020.

15. NET CURRENT ASSETS

At 31 December 2020, the Group's net current assets, calculated as current assets less current liabilities, amounted to RMB307,326,000 (2019: RMB48,630,000).

16. TOTAL ASSETS LESS CURRENT LIABILITIES

At 31 December 2020, the Group's total assets less current liabilities amounted to RMB6,951,861,000 (2019: RMB6,657,921,000).

17. CAPITAL COMMITMENT

	2020	2019
	RMB'000	*RMB'000*
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the consolidated financial statements	**15,209**	8,331