



招商局置地有限公司
CHINA MERCHANTS LAND LIMITED

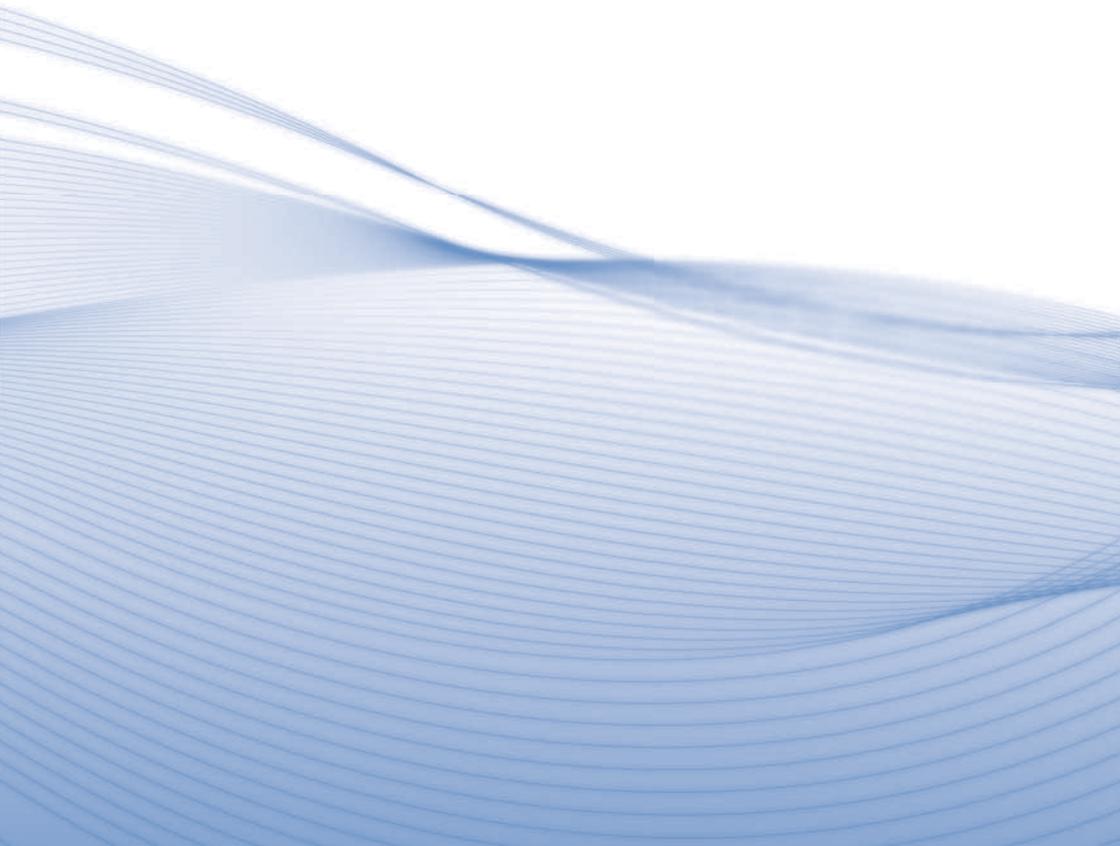
Stock Code : 978

30th
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CHINA MERCHANTS LAND INTERIM REPORT

2014

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. SO Shu Fai
Mr. XIAN Yaoqiang
(appointed on 10 March 2014)
Mr. LIU Zhuogen
Mr. YU Zhiliang
Mr. HU Jianxin (resigned on 10 March 2014)

Non-executive Directors

Mr. HE Jianya (Chairman)
Ms. WU Zhenqin
Ms. LIU Ning

Independent Non-executive Directors

Dr. WONG Wing Kuen, Albert
Ms. CHEN Yanping
Dr. SHI Xinping
Mr. HE Qi

AUDIT COMMITTEE

Dr. WONG Wing Kuen, Albert (Chairman)
Ms. LIU Ning
Dr. SHI Xinping

NOMINATION COMMITTEE

Mr. HE Jianya (Chairman)
Ms. CHEN Yanping
Dr. SHI Xinping

REMUNERATION COMMITTEE

Ms. CHEN Yanping (Chairman)
Ms. WU Zhenqin
Dr. WONG Wing Kuen, Albert

COMPANY SECRETARY

Ms. CHAN Wing Yan

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

P.O. Box 309, Uglund House,
Grand Cayman, KY1-1104,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1701, 17/F
China Merchants Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of Beijing Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.
Hong Kong Branch
Baoshang Bank Limited
China Construction Bank Corporation
China Construction Bank (Asia)
Corporation Limited
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China
(Asia) Limited
Industrial and Commercial Bank of China
Limited
Standard Chartered Bank (Hong Kong)
Limited
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

<http://ir.cmiland.hk>

STOCK CODE

978

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2014, against the Central Government's policy tone to ensure steady growth, adjust the structure and promote the reform, China's gross domestic product achieved a growth of 7.4% over the corresponding period while the price of properties in the market dropped from its peaks. In the first half of the year, the area of commodity housing sold in China was 483,650,000 sq.m., declined by 6% as compared to the corresponding period and the average selling price of commodity housing was RMB6,437 per sq.m., represented 0.8% decrease as compared to the corresponding period. There is an all-round differentiation of real estate industry showing a pattern formed in terms of property developers' differentiation, regional market differentiation and local government regulation differentiation. In response to the market changes, the Company is committed to cash flow management, based production on sales and promotion of sales. Meanwhile, by leveraging the resources of the Group and targeting the demand of first-time homebuyers and upgraders, we endeavor to develop in cities including Guangzhou, Foshan, Chongqing and Nanjing, and preferably tap into a new city, Xi'an. Newly acquired land bank was 964,000 sq.m. and property development projects increased from 15 to 21, optimizing the project portfolios, increasing the proportion of fast turnover projects, which develop a solid foundation for the Company's rapid growth in the future.

Due to the combined effect of the property market revival and nearly 70% of the saleable resources of the Company will start pre-sale in the second half of the year, the contracted sales of the Group in first half of the year of 2014 was RMB2,678,222,000, representing a decrease of 18% as compared with the corresponding period. The contracted sales area was 144,427 sq.m., representing a decrease of 42% as compared with the corresponding period while the average contracted selling price was RMB18,544 per sq.m., representing an increase of 42% as compared with the corresponding period. In respect of the sales derived, owing to the relatively small in scale of the Group and in number of projects delivered, the results are more sensitive to the changes of profit contribution of individual projects. In the first half of 2014, the profit attributable to the owners of the Company decreased to RMB61,021,000 from RMB300,469,000 of the corresponding period, the revenue derived from the two high profit-margin projects, Guangzhou Jinshan Valley and Foshan Evian Water Bank, declined significantly by 76% as compared to the corresponding period and their proportion in the Group's revenue dropped to 21% from 69% of the corresponding period and coupled with the mutual effect of interest expenses and foreign exchange gain. Following the acceleration of project construction and strengthen of sales delivery, the results of the Group will be gradually improved.

In the second half of 2014, for better implementation of the regulatory control measurements issued by "The National People's Congress and Chinese People's Political Consultative Conference", more local authorities will withdraw the limited purchase policy. In the aspect of mortgage loan, although it is difficult to release, the tight situation of capital market will be cushioned through the promotion of "Mini-Stimulus" measures by the central government. Facing the financial pressure, property developers will adopt more flexible sales strategies to accelerate the sell-through of the properties. Following the policies are more stable and favorable and rational decisions for cutting prices to boost sales volume by the property developers, property market is expected to improve gradually. The Company will be able to tackle the challenges ahead by strengthening the operation and management control and accelerating the sales and return. Meanwhile, the Company will continuously pay attention to the change of customers' needs, to optimize the project portfolios and types of product, to develop a model which can create synergy of our operation and financing strategy and to explore opportunities for overseas developments. We endeavor for increasing the capital utilization efficiency to create value for shareholders.

On behalf of the Board, I wish to thank our customers, business partners and staff for their trust and support and would appreciate your continued support for the Company's development in the future. As the Chairman of the Board, I would also like to express our sincere gratitude to our shareholders for their unfailing support and in approving the major changes of the Company. I believe and have confidence that we will create better return for the shareholders in the future.

He Jianya
Chairman

1 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group has completed the acquisition of 11 projects in November 2013. Therefore, the financial figures for the first half of 2013 needed to be restated. For the first half of 2014, profit amounted to RMB333,336,000 (the corresponding period of 2013: RMB1,029,119,000), representing a decrease of approximately 68% as compared with the same period last year. The profit attributable to the owners was RMB61,021,000 (the corresponding period of 2013: RMB300,469,000), representing a decrease of approximately 80% as compared with the same period last year. Basic earnings per share was RMB1.24 cents (the corresponding period of 2013: RMB7.58 cents), representing a decrease of 84% as compared with the corresponding period. The Group's aggregate contracted sales amounted to RMB2,678,222,000, representing a decrease of 18% over that of the same period last year. Aggregate contracted sales area was 144,427 sq.m., declined by 42% over the same period last year. The average selling price was approximately RMB18,544 per sq.m., representing an increase of 42% over that of the same period last year (it is mainly due to the contracted sales amounts of the higher unit price sold in Nanjing Yonghuafu in the first half of 2014 accounting for 49% of the total revenue).

Equity attributable to owners of the Company was RMB5,231,627,000 as at 30 June 2014 (31 December 2013: RMB5,217,290,000), increase 0.3% as compared with that as at the end of last year.

Turnover

For the first half of 2014, the Group recorded turnover of RMB3,496,954,000 (the corresponding period of 2013: RMB4,461,054,000), representing a decrease of approximately 22% as compared with the same period last year. The decrease is mainly attributable to the reduction in the number of completed and delivered properties in the first half of 2014. More properties are expected to be delivered in the second half of the year. For the first half of 2014, projects in Foshan, Guangzhou, Chongqing and Nanjing accounted for 76%, 9%, 10% and 5%, respectively, of the total revenue of the Group.

Gross Profit

Gross profit amounted to RMB887,468,000 (the corresponding period of 2013: RMB1,960,177,000), representing a decrease of approximately 55% as compared with the same period last year. The gross profit margin was 25% (the corresponding period of 2013: 44%), representing a decrease of approximately 43% over the same period last year. The decrease was primarily due to the structure of recognised items in the period had changed. For the first half of 2013, Guangzhou Jinshan Valley and Foshan Evian Water Bank, which were relatively high profit-margin projects due to low land cost, recognised revenue accounted for 69% of the total recognised revenue in that period and such percentage was only 21% in the first half of 2014.

Net foreign exchange gains

A decrease in net foreign exchange gains compared with the corresponding period of 2013 was due to the combined effect of the decrease in the balance of loan from equity holders which were denominated in United States Dollars ("USD") and the general depreciation of Renminbi against USD in the six months ended 30 June 2014 as compared to the general appreciation of Renminbi against USD in the six months ended 30 June 2013.

FINANCIAL REVIEW (Continued)

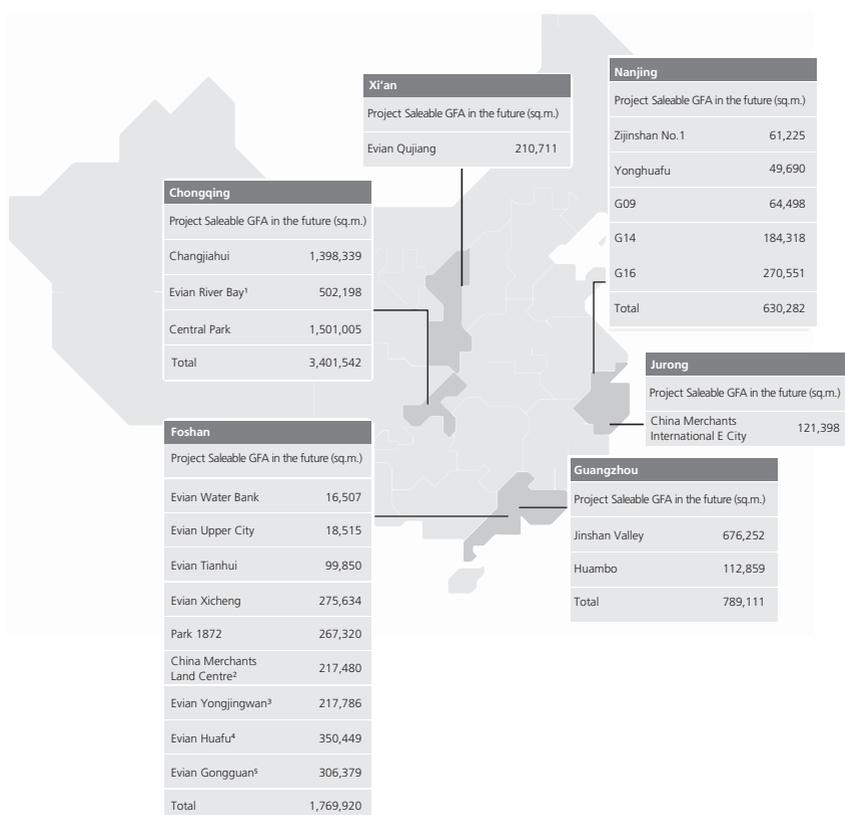
Finance costs

In December 2013, the Company issued a five-year term credit enhanced bonds in an aggregate principal amount of USD500,000,000 bearing coupon rate of 4.021% per annum which has accounted for approximately RMB61,772,000 in the finance costs for the six months ended 30 June 2014 and lead to a significant increase in the finance costs compared with the corresponding period of 2013.

BUSINESS REVIEW

Property Development Business

Below is a map showing the geographic locations and the land bank of the projects of the Group in the PRC. The total land bank of the Group as at 30 June 2014 is 6,922,964 sq.m..



¹ formerly known as Evian River Bank

² formerly known as Jin Da Square

³ formerly known as Evian Shangyuan

⁴ formerly known as Luocun

⁵ formerly known as Jiujiang

BUSINESS REVIEW (Continued)
Property Development Business (Continued)
 The table below details the Group's property development projects as at 30 June 2014 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	Completed				Under development			Future development			1 January 2014 to 30 June 2014		
		Total GFA (\$'m)	Land bank (\$'m)	GFA completed (\$'m)	Total GFA saleable/rentable (\$'m)	Of which sold and delivered (\$'m)	Of which pre-sold but not yet delivered (\$'m)	Of which not sold/ held for investment (\$'m)	GFA under development (\$'m)	Total GFA saleable/rentable (\$'m)	Of which pre-sold (\$'m)		Total GFA saleable (\$'m)	Contracted GFA (\$'m)
Foshan														
Evan WaterBank	25.50%	655,716	16,507	655,716	574,684	8,206	16,507	-	-	-	-	-	2,777	
Evan Upper City	50.00%	361,064	18,515	361,064	286,634	13,425	18,515	-	-	-	-	-	16,435	
Evan Baihui	25.50%	301,818	99,850	110,471	106,749	4,626	19,426	191,347	184,927	104,503	-	-	29,421	
Evan Xicheng	50.00%	425,234	275,634	150,742	145,032	3,199	52,072	225,993	219,232	44,169	48,499	48,499	7,442	
Park 1872	51.00%	303,132	267,200	-	-	-	-	145,472	126,646	-	157,660	140,674	-	
China Merchants Land Centre	26.01%	223,556	217,480	-	-	-	-	223,556	217,480	-	113,352	110,931	-	
Evan Yongpingwan	25.50%	233,852	217,786	-	-	-	-	120,500	106,855	-	222,663	206,665	-	
Evan Hualiu	50.00%	382,207	350,449	-	-	-	-	159,544	143,794	-	189,651	186,368	-	
Evan Congjiao	28.05%	313,589	306,379	-	-	-	-	123,938	120,011	-	-	-	-	
Foshan subtotal		3,200,168	1,789,920	1,277,999	1,169,832	29,536	106,520	1,190,350	1,118,945	148,672	731,825	693,127	56,075	
Guangzhou														
Jinshan Valley	51.00%	1,341,801	676,252	508,736	420,639	366,725	12,973	40,941	205,697	156,924	17,960	627,388	496,347	
Huambo	51.00%	124,906	112,859	-	-	-	-	-	-	-	-	124,906	112,859	
Guangzhou subtotal		1,466,707	789,111	508,736	420,639	366,725	12,973	40,941	205,697	156,924	17,960	752,274	609,206	
Chongqing														
Chongqing	50.00%	1,895,748	1,388,339	104,002	99,114	92,804	6,310	-	218,968	210,917	75,104	1,572,778	1,262,526	
Evan River Bay	51.00%	532,246	502,198	-	-	-	-	-	167,006	141,720	-	365,240	360,478	
Central Park	50.00%	1,511,140	1,501,005	-	-	-	-	-	-	-	-	1,511,140	1,501,005	
Chongqing subtotal		3,939,134	3,401,542	104,002	99,114	92,804	6,310	-	385,974	352,637	75,104	3,449,158	3,124,019	

BUSINESS REVIEW (Continued)
Property Development Business (Continued)

Project	The Company's attributable interest in the projects	Completed		Under development			Future development		1 January 2014 to 30 June 2014					
		Total GFA (\$'m.)	Land bank (\$'m.)	GFA completed (\$'m.)	Total GFA/ saleable/ rentable (\$'m.)	Of which pre-sold/ but not yet delivered (\$'m.)	Of which not pre-sold/ held for investment (\$'m.)	GFA under development (\$'m.)		Total GFA/ saleable/ rentable (\$'m.)	Of which pre-sold (\$'m.)	Total GFA (\$'m.)	Contracted GFA (\$'m.)	
Nanjing														
Zijieshan No.1	51.00%	213,870	61,225	213,870	151,324	84,688	5,411	61,225	-	179,854	158,398	108,708	-	4,009
Yonghuafu	51.00%	179,854	49,600	-	-	-	-	-	-	179,854	158,398	-	-	50,101
GG	51.00%	70,468	64,488	-	-	-	-	-	-	-	-	70,468	64,488	-
G14	35.70%	202,288	184,318	-	-	-	-	-	-	-	-	-	202,288	184,318
G16	100.00%	361,324	270,351	-	-	-	-	-	-	-	-	361,324	270,551	-
Nanjing subtotal		1,027,804	630,282	213,870	151,324	84,688	5,411	61,225	179,854	158,398	108,708	634,080	519,367	54,110
Jurong														
China Merchants International E City	70.00%	121,398	121,398	-	-	-	-	-	-	-	-	121,398	121,398	-
Jurong subtotal		121,398	121,398	-	-	-	-	-	-	-	-	121,398	121,398	-
Xi'an														
Erwan Qijiang	100.00%	299,980	210,711	-	-	-	-	-	-	-	-	299,980	210,711	-
Xi'an subtotal		299,980	210,711	-	-	-	-	-	-	-	-	299,980	210,711	-
Total		10,055,191	6,922,964	2,104,601	1,840,909	1,577,993	54,230	208,886	1,961,875	1,786,904	350,444	5,988,715	5,277,818	144,427

BUSINESS REVIEW (Continued)**Contracted sales**

For the first half of 2014, the Group recorded contracted sales of approximately RMB2,678,222,000 from four cities and the saleable area sold was approximately 144,427 sq.m..

Location	Contracted sales area (sq.m.)	Aggregate contracted sales (RMB million)
Foshan	56,075	711
Guangzhou	10,215	331
Chongqing	24,027	228
Nanjing	54,110	1,408
Total	144,427	2,678

Land Bank

6 parcels of land are acquired during the period as follows:

Projects	Total consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium (RMB/sq.m.)
Huambo	1,460	17,779	100,495	14,528
G09	305	37,538	56,307	5,417
G14	578	110,872	159,656	3,620
Evian Qujiang	440	70,327	210,981	2,085
G16	1,189	57,945	244,528	4,862
China Merchants International E city	104	55,181	121,398	857
Total	4,076	349,642	893,365	4,563

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 business to determine the resources to be allocated to the trading procurement business.

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 30 June 2014, the net assets attributable to shareholders of the Group were approximately RMB5,231,627,000 (31 December 2013: RMB5,217,290,000).

In December 2013, the Group completed the issuance of five-year term credit enhanced bonds in the aggregate principal amount of USD500,000,000 bearing coupon rate of 4.021% per annum ("Bond"). The rate of the Bond, which is fixed and unchanged during its subsisting period, bears single interest rather than compound interest and the interest is payable half-yearly. The Bond was listed on the Hong Kong Stock Exchange with effect from 12 December 2013. The fund raised from the issuance of the Bond is for the purpose of general corporate use. On 30 June 2014, total interest-bearing debt of the Group was RMB8,116,196,000 (31 December 2013: RMB7,042,741,000). Bank balances and cash was RMB4,459,590,000 (31 December 2013: RMB6,618,086,000). In terms of currency denomination, bank balances and cash can be divided into RMB2,422,735,000 in Renminbi, RMB2,032,279,000 in USD and RMB4,576,000 in Hong Kong dollars. In terms of maturity, the outstanding total interest-bearing debt (excluding the Bond) can be divided into RMB1,100,000,000 to be repaid within one year, RMB3,587,358,000 to be repaid after one year but within two years and RMB396,000,000 to be repaid after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB5,083,358,000 in Renminbi and RMB3,032,838,000 in USD.

At 30 June 2014, 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 35% (31 December 2013: 4%). 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, USD and HKD. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities. As the Bond was denominated in USD, 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 USD exchange rates and might consider hedging should the need arises.

NON-COMPETITION DEED

On 1 November 2013, the Company completed the acquisition of the equity interests in 11 property projects in the PRC from Eureka Investment Company Limited, a wholly-owned subsidiary of China Merchants Property Development Co., Ltd. ("CMPD"), the controlling shareholder of the Company, and the corresponding placing of shares.

NON-COMPETITION DEED (Continued)

To minimize actual and potential competition, the Group and CMPD entered into a deed of non-competition dated 19 June 2013 as amended and supplemented on 4 October 2013 (the “Non-Competition Deed”), pursuant to which (i) CMPD and its subsidiaries (excluding the Group) (“CMPD 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 CMPD Group but managed by the Group under certain operation agreement entered into between the Group and CMPD; (ii) the Group will not compete with CMPD in 21 other cities in the PRC (“CMPD Cities”); and (iii) the Group will have a right of first refusal to conduct property business in any city in which neither CMPD 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 CMPD 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 CMPD Group and the Group; (ii) carried out a review on the implementation of and compliance with the Non-Competition Deed by CMPD Group and the Group during the period ended 30 June 2014; and (iii) confirmed that the terms of the Non-Competition Deed had been complied with by CMPD Group and the Group during the six months period ended 30 June 2014.

During the six months period ended 30 June 2014, the Group seized the business opportunities in Xi’an and Jurong which are new cities to the Group pursuant to the right of first refusal mentioned above. The Group will continue focusing on developing its property business in the 4 Target Cities and these 2 new cities and will also select other cities carefully for investment and development should appropriate opportunities arise.

OUTLOOK AND PROSPECTS

In the second half of 2014, the Company is expected the additional GFA of the projects which can meet the pre-sales conditions amounted to approximately 1,250,000 sq.m.. The Company will be able to tackle the challenges ahead by grabbing the market opportunities arising from the favourable policies and strengthening the operation and management control and accelerating the sales and return.

Meanwhile, the Company will continuously pay attention to the change of customers’ needs, to optimize the project portfolios and types of product, to develop a model which can create synergy of our operation and financing strategy and to explore opportunities for overseas developments. We endeavor for increasing the capital utilization efficiency to create value for shareholders.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the period from 1 January 2014 to 30 June 2014 (1 January 2013 to 30 June 2013: Nil).

PLEDGE OF ASSETS

As at 30 June 2014 and 31 December 2013, the Group did not have any charges on its property, plant and equipment or properties under development for sales.

CONTINGENT LIABILITIES

The Group has contingent liabilities relating to guarantee given to banks in connection with facilities granted to their customers amounted to RMB680,491,000 as at 30 June 2014 (31 December 2013: RMB464,153,000).

EVENTS AFTER THE REPORTING PERIOD

On 20 June 2014, Merchants Nanjing Real Estate Co., Ltd (“Merchants Nanjing”), a non-wholly owned subsidiary of the Company, entered into an agreement (“Nanjing Agreement”) with Nanjing Qianjia Investment Company Limited (“Nanjing Qianjia”) and Shenzhen City Luhong Investment and Management Company Limited (“Shenzhen Luhong”). Nanjing Qianjia is a non controlling equity holder of Nanjing Merchants Xingsheng Property Development Limited (“Nanjing Xingsheng”), a non wholly-owned subsidiary of the Company engaging in a property development project in Nanjing, the PRC, in which Merchants Nanjing is the majority equity holder. Shenzhen Luhong is an independent third party. Pursuant to the Nanjing Agreement, each of Merchants Nanjing, Nanjing Qianjia and Shenzhen Luhong will subscribe for a portion of the capital increase in the registered capital of Nanjing Xingsheng and Shenzhen Luhong will provide a shareholder’s loan to Nanjing Xingsheng to repay part of the shareholder’s loan from Merchants Nanjing.

Subsequent to 30 June 2014, on 31 July 2014. Merchants Property Development (Guangzhou) Ltd. (“Merchants Guangzhou”), a non wholly-owned subsidiary of the Company, and Guangzhou Yi Yun Property Development Limited (“Guangzhou Yi Yun”), a subsidiary wholly-owned by Merchants Guangzhou and engaging in a property development project in Guangzhou, the PRC, entered into an agreement (“Guangzhou Agreement”) with Shenzhen Lianxin Investment and Management Company Limited (“Shenzhen Lianxin”), an independent third party and a wholly owned subsidiary of Shenzhen Luhong. Pursuant to the Guangzhou Agreement, Merchants Guangzhou and Shenzhen Lianxin will subscribe for a portion of the capital increase in the registered capital of Guangzhou Yi Yun and Shenzhen Lianxin will provide a shareholder’s loan to the Guangzhou Yi Yun to repay part of the shareholder’s loan from Merchants Guangzhou.

The above transactions have not yet been completed at the date of this report. Upon completion of the above transactions, the equity interests of Merchants Nanjing and Merchants Guangzhou in Nanjing Xingsheng and Guangzhou Yi Yun respectively will both be diluted from 100% to 51%. Details of the above transactions were set out in the Company’s announcement dated 31 July 2014.

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 30 June 2014, the Group had 339 (31 December 2013: 343 employees in the PRC and Hong Kong) employees in the PRC and Hong Kong.

EMPLOYEE REMUNERATION AND RELATIONS (Continued)

The Group's total expenses on salaries and allowances (including directors' remuneration) for the period ended 30 June 2014 was approximately RMB38,363,000 (for the period ended 30 June 2013: RMB43,680,000). Apart from basic salaries, fringe benefits such as contributions to the state-managed retirement benefit schemes and MPF scheme and group medical insurance are also offered to the employees. Different trainings are also provided to employees according to their levels and job duties throughout the period. 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 options had been granted under the 2011 Share Option Scheme during the period ended 30 June 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the following Director had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (2) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

Long Positions in Ordinary Shares of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
So Shu Fai	Through controlled corporations	32,054,066 (Note)	0.65%

Note:

These shares were directly held by Skill China Limited ("Skill China"). Skill China is wholly-owned by Fortune Alliance Group Limited. Joint Profit Limited owned 90% equity interest in Fortune Alliance Group Limited. Fortune Alliance Group Limited is in turn controlled for the purpose of Part XV of the SFO by Joint Profit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence, by virtue of Part XV of the SFO, Dr. So Shu Fai is deemed to be interested in the shares directly held by Skill China. Skill China, Fortune Alliance Group Limited and Joint Profit Limited are companies incorporated in the British Virgin Islands with limited liability.

Saved as disclosed above, as at 30 June 2014, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or (2) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (Continued)

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed in the section "Directors' Interests and Short Position in Shares and Underlying Shares" above, at no time during the period under review had rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company been granted to any directors or their respective spouse or children under the age of 18, or had any such rights been exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The 2011 Share Option Scheme was adopted at the annual general meeting held on 27 September 2011 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. No options had been granted under the 2011 Share Option Scheme during the period under review and no options are outstanding as at 30 June 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2014, the following persons, other than a Director or chief executive of the Company, had the following interests in shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of ordinary shares held		Percentage of the Company's issued share capital
		Long position	Short position	
China Merchants Group Co., Ltd.	Through controlled corporations	3,646,889,329 (Note 1)	–	74.35%
CMPD	Through controlled corporations	3,646,889,329 (Note 2)	–	74.35%
China Merchants Shekou Industrial Zone Co. Ltd.	Through controlled corporations	3,646,889,329 (Note 3)	–	74.35%
Success Well Investments Limited	Beneficial interest	3,646,889,329	–	74.35%

Notes:

- The shares were directly held by Success Well Investments Limited. Success Well Investments Limited is wholly-owned by Good Ease Holdings Limited. Good Ease Holdings Limited is wholly-owned by Eureka Investment Company Limited, which is in turn wholly-owned by CMPD. CMPD is owned as to 51.89% by China Merchants Shekou Industrial Zone Co. Ltd.. China Merchants Shekou Industrial Zone Co. Ltd. is wholly-owned by China Merchants Group Ltd. By virtue of Part XV of the SFO, China Merchants Group Ltd. is deemed to be interested all these shares registered in Success Well Investments Limited.
- See Note 1 above. By virtue of Part XV of the SFO, CMPD is deemed to be interested all these shares directly held by Success Well Investments Limited.
- See Note 1 above. By virtue of Part XV of the SFO, China Merchants Shekou Industrial Zone Co. Ltd. is deemed to be interested all these shares directly held by Success Well Investments Limited.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Save as disclosed above and in the section "Directors' Interests and Short Position in Shares and Underlying Shares" above, no other person had interests or short positions in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

During the period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN THE DIRECTORS' INFORMATION

Change in Board Composition

During the period, the composition of the board of directors and board committees changed as follows:

1. Mr. Hu Jianxin has resigned as an executive director of the Company, with effect from 10 March 2014; and
2. Mr. Xian Yaoqiang has been appointed by the Board as an executive director of the Company, with effect from 10 March 2014.

The existing members of the Company's board of directors and board committees are set out in the section headed "Corporate Information" of the interim report.

Change in Annual Remuneration

Effective from 1 January 2014, the annual remuneration of each of Mr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi, independent non-executive directors of the Company, have been adjusted from HK\$80,000 each to HK\$120,000.

The above changes to directors' remuneration have been approved by the Company's remuneration committee on 7 March 2014.

Change in Directors' Profile

1. Dr. So Shu Fai was awarded the Comendador Order of Merit by the President of Portugal in 2014.
2. Mr. Xian Yaoqiang is the general manager of the south China regional general headquarter which has renamed as south-west regional headquarter since 17 March 2014. On 30 December 2013, Mr. Xian graduated from Chang'an University and received a doctor's degree in structural engineering.
3. Ms. Liu Ning resigned as the independent director of Shenzhen Jinxinnong Feed Co., Ltd. (深圳金新農飼料股份有限公司) (Stock Code: 002548) on 27 June 2014.

CHANGES IN THE DIRECTORS' INFORMATION (Continued)

Change in Directors' Profile (Continued)

4. Mr. Wong Wing Kuen, Albert is the non-executive director of Rare Earths Global Limited ("Rare Earths"), a company listed on AIM market of the London Stock Exchange. On 2 May 2014, Rare Earths has been de-listed on AIM market of the London Stock Exchange and Mr. Wong remains the non-executive director of Rare Earths.

Save as disclosed above, there is no significant change to the profiles of the Company's directors as disclosed in the Company's 2013 annual report dated 7 March 2014.

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 Listing Rules. This committee is authorized 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 and the external auditor have reviewed the Group's unaudited consolidated financial statements for the period, including the accounting principles and practices adopted by the Group.

SPECIFIC PERFORMANCE OBLIGATIONS RELATING TO CONTROLLING SHAREHOLDERS

On 30 July 2014, the Company as borrower entered into a loan agreement ("Loan Agreement") relating to a US\$100,000,000 term loan facility ("Loan Facility") with a bank. The Loan Facility has a term of 36 months commencing from the date of the Loan Agreement.

Requirements relating to controlling shareholders

Pursuant to the Loan Agreement, it shall be an event of default if (i) CMPD ceases to beneficially own (directly or indirectly) at least 50% of the issued share capital of the Company, (ii) the shares of CMPD ceases for any reason to be listed on the Shenzhen Stock Exchange (or its successor) or such listing is suspended for more than 15 consecutive trading days due to non-compliance with the rules of the Shenzhen Stock Exchange (or its successor) or breach of any undertaking given to the Shenzhen Stock Exchange (or its successor), (iii) China Merchants Group Ltd. ("CMG"), a company established in the PRC, ceases to be the single largest shareholder of and beneficially own (directly or indirectly) at least 40% of the issued share capital of CMPD, or (iv) CMG ceases to be controlled (directly or indirectly) by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") of the PRC or other similarly empowered authority.

The Loan Agreement also contains a cross default provision so that if the Company or any of its subsidiaries commits a default under any other loan agreement(s) to which it is a borrower that entitles any creditor to declare any borrowed monies under such loan agreement(s) due and payable and the amount in aggregate exceeds US\$15,000,000, it will also constitute an event of default under the Loan Agreement.

If an event of default under the Loan Agreement occurs, the bank may declare that its obligations to make the Loan Facility available to the Company be terminated and the advances under Loan Facility and all interest accrued and all other sums payable under Loan Agreement become immediately due and payable.

SPECIFIC PERFORMANCE OBLIGATIONS RELATING TO CONTROLLING SHAREHOLDERS (Continued)

Requirements relating to controlling shareholders (Continued)

As at the date of this report, CMPD indirectly owns 74.35% of the issued share capital of the Company, CMG indirectly owns 51.89% of the issued share capital of CMPD and CMG is owned and controlled by the SASAC.

Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, save as mentioned below, 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 six months ended 30 June 2014.

During the six months ended 30 June 2014, the Company had the following deviations from the CG Code:

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 the requirement to retire by rotation at least once every 3 years at annual general meetings under the Company's articles of association. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

Code Provision 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. He Jianya, a non-executive Director, and Mr. He Qi, an independent non-executive Director, did not attend the annual general meeting of the Company held on 12 May 2014 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.

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. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the period.

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

Under Code Provision A.6.4, the Board has established written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the Company's securities. "Relevant employee" includes any employee or a director of a subsidiary or holding company, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Group or its securities. Having made specific enquiry to all relevant employees, the directors are satisfied that the required standard set out in the said written guidelines and its code of conduct regarding securities transaction have been complied with during the period covered by this interim report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000 (Note 2)
Revenue		3,496,954	4,461,054
Cost of sales		(2,609,486)	(2,500,877)
Gross profit		887,468	1,960,177
Other income		26,141	82,200
Net foreign exchange gains		16,937	74,970
Selling and marketing expenses		(35,676)	(40,176)
Administrative expenses		(38,763)	(41,587)
Finance costs	5	(127,409)	(38)
Profit before tax	7	728,698	2,035,546
Income tax expense	6	(395,362)	(1,006,427)
Profit for the period		333,336	1,029,119
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		–	258
Profit and total comprehensive income for the period		333,336	1,029,377
Profit for the period attributable to:			
Owners of the Company		61,021	300,469
Non-controlling interests		272,315	728,650
		333,336	1,029,119
Profit and other comprehensive income for the period attributable to:			
Owners of the Company		61,021	300,699
Non-controlling interests		272,315	728,678
		333,336	1,029,377
Earnings per share			
Basic (RMB cents)	9	1.24	7.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000	At 1 January 2013 (unaudited) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment		30,383	31,242	12,392
Investment properties		22,113	22,281	34,359
Goodwill		160,210	160,210	160,210
Deferred tax assets	13	325,907	362,020	298,240
Other receivables		831,619	888,950	1,328,584
		1,370,232	1,464,703	1,833,785
CURRENT ASSETS				
Properties for sale		18,965,187	15,188,406	15,212,165
Deposit paid for acquisitions of land use rights		2,965,606	3,019,783	–
Trade and other receivables	10	1,269,398	1,704,386	3,789,730
Tax recoverable		68,451	165,587	312,410
Restricted bank deposits		–	–	14,704
Bank balances and cash		4,459,590	6,618,086	2,134,944
		27,728,232	26,696,248	21,463,953
CURRENT LIABILITIES				
Deposits received in respect of pre-sale of properties		5,153,918	5,886,447	5,996,707
Trade and other payables	11	3,359,742	3,252,384	7,059,694
Deposit received for partial disposal of a subsidiary		–	160,830	–
Dividend payable to a non-controlling equity holder		962,031	–	113,167
Tax payable		96,072	258,849	543,707
Amount due to an intermediate holding company		994,427	–	–
Loans from equity holders – due within one year		–	–	4,794,164
Bank and other borrowings – due within one year	12	1,100,000	2,000,000	101,000
		11,666,190	11,558,510	18,608,439
NET CURRENT ASSETS				
		16,062,042	15,137,738	2,855,514

	Notes	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000	At 1 January 2013 (unaudited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		17,432,274	16,602,441	4,689,299
NON-CURRENT LIABILITIES				
Loans from equity holders – due after one year		339,358	339,358	1,169,960
Bank and other borrowings – due after one year	12	3,644,000	1,700,000	109,351
Bonds payable – due after one year		3,032,838	3,003,383	–
Deferred tax liabilities	13	100,399	103,389	34,136
		7,116,595	5,146,130	1,313,447
NET ASSETS		10,315,679	11,456,311	3,375,852
CAPITAL AND RESERVES				
Issued equity	14	39,132	39,132	8,710
Reserves		5,192,495	5,178,158	1,414,740
Equity attributable to owners of the Company		5,231,627	5,217,290	1,423,450
Non-controlling interests		5,084,052	6,239,021	1,952,402
TOTAL EQUITY		10,315,679	11,456,311	3,375,852

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Issued equity		Share premium RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000		
	Share capital RMB'000	Other capital RMB'000								
At 1 January 2013 (unaudited)	8,710	358,073	-	161,196	4,603	890,868	1,423,450	1,952,402	3,375,852	
Profit and total comprehensive income for the period	-	-	-	-	230	300,469	300,699	728,678	1,029,377	
Capital injection by shareholders	-	62,456	-	-	-	-	62,456	-	62,456	
Effect of Restructuring (as defined in note 15)	-	-	-	(739,801)	-	-	(739,801)	-	(739,801)	
Capital injection by non-controlling equity holders	-	-	-	-	-	-	-	104,457	104,457	
At 30 June 2013 (unaudited)	8,710	420,529	-	(578,605)	4,833	1,191,337	1,046,804	2,785,537	3,832,341	
At 1 January 2014 (audited)	39,132	-	6,227,510	(2,402,195)	3,085	1,349,758	5,217,290	6,239,021	11,456,311	
Profit and total comprehensive income for the period	-	-	-	-	-	61,021	61,021	272,315	333,336	
Capital injection by non-controlling equity holders	-	-	-	-	-	-	-	13,500	13,500	
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	(1,440,784)	(1,440,784)	
Dividend declared (note 8)	-	-	(46,684)	-	-	-	(46,684)	-	(46,684)	
At 30 June 2014 (unaudited)	39,132	-	6,180,826	(2,402,195)	3,085	1,410,779	5,231,627	5,084,052	10,315,679	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000
Net cash used in operating activities	(4,345,437)	(415,152)
Investing activities		
Purchase of property, plant and equipment	(610)	(169)
Net advance to a fellow subsidiary	–	(37,442)
Net repayment from an intermediate holding company	–	2,976,667
Proceeds from received on disposal of investment properties	–	54,780
Net advance to non-controlling equity holders of subsidiaries of the Group	–	(115,755)
Net cash (used in) from investing activities	(610)	2,878,081
Financing activities		
New bank and other borrowings raised	3,046,000	3,100,000
Net advance from (repayment to) intermediate holding companies	994,427	(3,990,711)
Advance from non-controlling equity holders of subsidiaries of the Group	875,242	–
Capital contributions by non-controlling equity holders of subsidiaries of the Group	13,500	30,957
Advance from (repayment to) a fellow subsidiary	7,673	(3,363)
Bank and other borrowings repaid	(2,002,000)	(210,351)
Repayment to non-controlling equity holders of subsidiaries of the Group	(492,082)	(662,170)
Interest paid	(234,800)	(79,862)
Dividend paid	(46,369)	(8,167)
Capital injection by holding company	–	30,956
Advance from immediate holding company	–	1,621
Repayment to shareholder of the Company	–	(4,054)
Repayment to immediate holding company	–	(4,054)
Net cash from (used in) financing activities	2,161,591	(1,799,198)
Net (decrease) increase in cash and cash equivalents	(2,184,456)	663,731
Cash and cash equivalents at beginning of the period	6,618,086	2,134,944
Effect of changes in foreign exchange rate	25,960	(5,841)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	4,459,590	2,792,834

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting. On 24 April 2013, the Company (as the purchaser), Eureka Investment Company Limited (“Eureka”), intermediate holding company of the Company (as the seller) and China Merchants Property Development Co., Ltd. (“CMPD”), a holding company of Eureka entered into an agreement, which was amended and supplemented on 22 September 2013, pursuant to which the Company has conditionally agreed to acquire, and Eureka has conditionally agreed to sell: (i) 50% of the issued share capital of Harpen Company Limited (“Harpen”) and all the issued share capital of Converge Holdings Limited (“Converge”), Sino Action Investments Limited (“Sino Action”) and Happy City Investments Limited (“Happy City”) (hereinafter, collectively referred to as the “Sales Shares”) from Eureka, and (ii) the shareholder’s loans outstanding and owing by each of Harpen, Converge, Sino action and Happy City (“Shareholder’s Loans”) (hereinafter, Harpen, Converge, Sino Actions and Happy City and their subsidiaries are collectively referred to as the “Target Group”). The consideration is approximately RMB5,302,945,000, including approximately RMB2,182,956,000 for the Sales Shares and approximately RMB3,119,989,000 Shareholder’s Loans. To satisfy the consideration, the Company issued new shares at issue price of HK\$2.05 per share of which 2,897,028,703 consideration new shares were issued to the seller for aggregate consideration of HK\$5,938,909,000 (equivalent to RMB4,708,962,000) and 939,760,297 placing shares were issued to new investors for aggregate consideration of HK\$1,926,509,000 (equivalent to RMB1,527,529,000) of which 365,428,529 placing shares amounting to RMB593,983,000 was utilised to settle the consideration. The details of the transaction was set out in the Company’s circular dated 10 October 2013 (the “Transaction”). The Transaction was completed on 1 November 2013 (the “date of Completion”).

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

As the Company and its subsidiaries (before the completion of the Transaction, hereinafter collectively referred to as the “Existing Group”) and the Target Group are under the common control of Eureka both before and after the Transaction and Eureka’s control of the Company and the Target Group is not transitory, the transaction is considered as combination of business under common control and accounted for under merger basis. In applying merger accounting, the Existing Group is deemed to have been acquired at the date of completion and the consolidated financial statements have been prepared on the following bases:

- (i) The assets and liabilities of the Target Group are recognised and measured at their carrying amounts;
- (ii) The identified assets and liabilities of the Existing Group are recognised and measured initially at their fair values on the date of Completion; and
- (iii) The comparative figures presented in these condensed consolidated financial statements are restated to include the Target Group for the six months ended 30 June 2013.

The details of the Group’s restructuring was set out in the Company’s annual report dated 7 March 2014.

Upon the completion of the Transaction, the functional currency of the Company has changed from Hong Kong Dollars (“HK\$”) to Renminbi (“RMB”) as the primary economic environment of the Company changed to a PRC business environment. Following the change of functional currency of the Company, the Company changed the presentation currency of its condensed consolidated financial statements from HK\$ to RMB. The directors of the Company are in the opinion that this could simplify the financial reporting process and it could provide users with more comparable information with other companies in similar industries. Comparative figures have been restated in RMB.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of the above amendments and interpretation has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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 maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company’s directors and prior to the completion of the Transaction, the Chief operating decision maker is the directors of Eureka.

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”).

4. SEGMENT INFORMATION (Continued)**Segment revenue and results**

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

	Trading Segment RMB'000	Properties segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2014 (unaudited)			
Segment revenue – external	–	3,496,954	3,496,954
Segment results	(730)	780,411	779,681
Net foreign exchange gains			1,894
Unallocated finance costs			(61,772)
Interest income			12,369
Unallocated corporate expenses			(3,474)
Profit before tax			728,698
For the six months ended 30 June 2013 (restated and unaudited)			
Segment revenue – external	72,721	4,388,333	4,461,054
Segment results	1,463	1,980,205	1,981,668
Net foreign exchange gains			80,719
Unallocated finance costs			(38)
Unallocated corporate expenses			(26,803)
Profit before tax			2,035,546

4. SEGMENT INFORMATION (Continued)

Segment Revenue and Results (Continued)

Segment revenue represents revenue generated from external customers. There were no inter-segment sales for both periods.

Segment result represents the profit earned/loss incurred by each segment without allocation of unallocated corporate expenses, unallocated finance costs, interest income and certain net foreign exchange gains. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000
Interest on bank and other borrowings wholly repayable within five years:		
– bank and other borrowings	167,247	27,932
– amount due to an intermediate holding company	–	28,411
– amounts due to non-controlling equity holders of subsidiaries of the Group	15,110	9,875
– bonds	61,772	–
Total borrowing costs	244,129	66,218
Less: Amount capitalised	(116,720)	(66,180)
	127,409	38

6. INCOME TAX

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000
The charge comprises:		
PRC Enterprise Income Tax		
– current period	159,307	391,249
– overprovision in prior years	–	(1,210)
Land appreciation tax ("LAT")	202,932	573,673
	362,239	963,712
Deferred tax (Note 13)	33,123	42,715
	395,362	1,006,427

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods.

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 of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

7. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	32,924	38,883
Pension scheme contributions	5,439	4,797
Total staff costs	38,363	43,680
Less: Amount capitalised to properties under development for sale	(17,031)	(26,062)
	21,332	17,618
Cost of properties for sale recognised as expense	2,609,486	2,429,994
Gain on disposal of investment properties	–	43,213
Depreciation on property, plant and equipment	1,469	1,155
Depreciation of investment properties	168	343
Gross rental income from investment properties	(1,706)	(467)
Less: Direct operating expenses incurred	250	343
	(1,456)	(124)

Included in revenue and profit before tax of the Group for the current interim period are RMB106,789,000 and RMB80,092,000 respectively which relate to the sale transactions made in prior periods of car park spaces under Properties Segment which were previously accounted for as operating lease transactions. In the current interim period, it is determined that such transactions are sales under finance leases. The directors of the Company are of a view that the amounts, compared to the net assets of the Group, are immaterial and hence have been included in current period's profit, of which the effect on the profit attributable to the owners of the Group amounted to RMB20,423,000.

8. DIVIDEND

During the current period, a final dividend of HK\$0.012 per ordinary share in respect of the year ended 31 December 2013 was declared and paid to the shareholders of the Company. The aggregate amount of final dividend declared from the share premium of the Company and paid during the current period amounted to RMB46,684,000.

9. BASIC EARNINGS PER SHARE

The weighted average number of shares used for the purpose of calculating basic earnings per share for both periods has been adjusted as if the issue of the Consideration Shares (as defined in Note 14) was at 1 January 2012, on the basis that the condensed consolidated financial statements are prepared as if the combined entity represented by the Existing Group and the Target Group had existed from the dates when these groups came under the control of the common controlling party.

The calculation of the basic earnings per share for the six months period ended 30 June 2014 is based on the profit attributable to owners of the Company of approximately RMB61,021,000 (six months ended 30 June 2013: RMB300,469,000) and the weighted average number of 4,905,257,860 (2013: 3,965,497,563) ordinary shares in issue during the period.

Diluted earnings per share is not presented for both periods as there is no potential ordinary shares outstanding during the period or at the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

Trade receivables mainly arise from Trading Segment and Properties Segment.

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 Group's credit terms with its trade customers is generally 0 to 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The aging analysis are as follows:

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
30 days or less	–	2,926
31 to 60 days	–	19
Over 90 days	8,172	17,061
	8,172	20,006

11. TRADE AND OTHER PAYABLES

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

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
0 to 60 days	586,250	181,137
61 to 180 days	603,390	498,505
181 to 365 days	201,007	799,708
Over 365 days	209,572	194,509
	1,600,219	1,673,859

12. BANK AND OTHER BORROWINGS

The Group's bank and other borrowings were subjected to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The effective interest rates on the Group's bank and other borrowings ranged from 5.59% to 7.05% per annum (six months ended 30 June 2013: 5.7% to 6.09% per annum).

13. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Deferred tax assets	325,907	362,020
Deferred tax liabilities	(100,399)	(103,389)
	225,508	258,631

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the period:

	Temporary differences on LAT provision RMB'000	Tax losses RMB'000	Dividend withholding tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013 (unaudited)	266,008	15,718	(34,136)	16,514	264,104
Charge to profit or loss	(645)	-	(30,361)	(11,709)	(42,715)
At 30 June 2013 (restated and unaudited)	265,363	15,718	(64,497)	4,805	221,389
Credit (charge) to profit or loss	65,653	(11,051)	(38,892)	21,532	37,242
At 31 December 2013 (audited)	331,016	4,667	(103,389)	26,337	258,631
(Charge) credit to profit or loss	(97,780)	63,983	2,990	(2,316)	(33,123)
At 30 June 2014 (unaudited)	233,236	68,650	(100,399)	24,021	225,508

14. ISSUED EQUITY

Paid Up Capital of the Target Group

As at 1 January 2013, the issued equity of the Group reflects the paid up capital of the Target Group of RMB366,783,000. The share capital of the Company at 1 January 2013 is RMB8,710,000 (equivalent to HK\$10,685,000).

For the purpose of the presentation in the condensed consolidated financial statements, the issued equity of the Group as at 1 January 2013 under merger accounting comprise of:

	RMB'000
Share capital of the Company (HK\$10,685,000)	8,710
Other capital	358,073
<hr/>	
Issued equity of the Target Group	366,783

Ordinary Share Capital of the Company

	Number of shares	Amounts HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 30 June 2014	30,000,000,000	300,000

14. ISSUED EQUITY (Continued)**Ordinary Share Capital of the Company** (Continued)

	Number of shares	Equivalent to	
		HK\$'000	(restated) RMB'000
Issued and fully paid:			
At 1 January 2013 and 30 June 2013	1,068,468,860	10,685	8,710
Issue of consideration shares (note)	2,897,028,703	28,970	22,971
Placing of shares (note)	939,760,297	9,398	7,451
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At 31 December 2013 and 30 June 2014	4,905,257,860	49,053	39,132

Note: As disclosed in note 2, the consideration of Transaction was partly satisfied by issue of 2,897,028,703 ordinary shares of the Company at HK\$2.05 per share ("Consideration Shares"). The remaining consideration was satisfied by funds raised through placing of 939,760,297 ordinary shares at HK\$2.05 each ("Placing Shares"). The net proceeds of Placing Shares is RMB1,487,812,000 of which RMB593,983,000 was utilised to settle the remaining consideration.

The issuance of Consideration Shares and Placing Shares resulting an increase in ordinary share capital of the Company of RMB30,422,000 and share premium of the Company of RMB6,166,352,000 (approximately HK\$7,776,960,000).

15. MAJOR NON-CASH TRANSACTIONS

The Group has the following non-cash transactions took place during the period:

- During the current period, dividend payable to non-controlling equity holders of approximately RMB478,753,000 was fully offset against the amount due from non-controlling equity holders of subsidiaries of the Group which is included in trade and other receivables.
- During the current period, deposit received for partial disposal of a subsidiary was designated as advance from non-controlling equity holders of subsidiaries of the Group.

15. MAJOR NON-CASH TRANSACTIONS (Continued)

3. On 19 April 2013, Sino Action was interspersed between Eureka and Merchants Property Development (Guangzhou) Ltd. (“Merchants Guangzhou”) and held 21% equity interest in Merchants Guangzhou. On 9 June 2013, Eureka transferred its 50% equity interest in Foshan Merchants Wharf Property Development Co., Ltd. to Sino Action. On 13 May 2013, Happy City was interspersed between Eureka and Merchants Nanjing Real Estate Co., Ltd. (“Merchants Nanjing”) and became the holding company of Merchants Nanjing holding 51% equity interests therein (collectively referred to as “Restructuring”). The Restructuring was completed on 9 June 2013. The total consideration of Restructuring payable to Eureka is RMB739,801,000 and the amounts were recorded as amount due to an intermediate holding company, which was included as Shareholder’s Loans of the Transaction.

16. CONTINGENT LIABILITIES

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Guarantee given to banks in connection with facilities granted to their customers	680,491	464,153

The Group acted as guarantor to the mortgage loans granted to certain purchasers of the Group’s properties and agreed to repay the outstanding loan and interest accrual thereon, if the purchasers default the repayment of loan before the issue of the property certificate. The directors of the Company consider that the fair value of the financial guarantee contracts is not significant as the default rate is low.

17. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related Party Transactions

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties:

Related party	Nature of transaction	Six months ended 30 June	
		2014 (unaudited) RMB'000	2013 (restated and unaudited) RMB'000
Fellow subsidiaries	Property management fee paid (note)	19,320	32,952
	Sales of goods (note)	–	72,721
	Service income (note)	4,703	–
An intermediate holding company	Interest income (note)	–	2,341

Note: These transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.

(b) Related Party Balances

As at 30 June 2014, approximately RMB2,763,611,000 (31 December 2013: RMB2,828,050,000) was deposited at China Merchants Bank which is an associate of China Merchants Group Limited, the ultimate holding company of the Company. For the six months ended 30 June 2014, the interest income recognized by the Group amounted to approximately RMB11,443,000 (six months ended 30 June 2013: RMB9,122,000).

As at 30 June 2014, the advance from intermediate holding company amounted to RMB994,427,000 was unsecured, interest-free and repayable on demand.

On behalf of the Board
Mr. He Jianya
Chairman

Hong Kong, 1 August 2014