



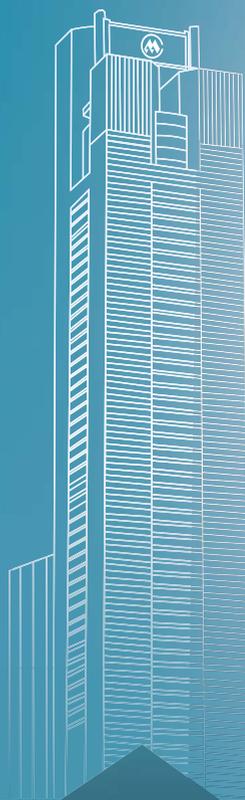
招商局置地有限公司

CHINA MERCHANTS LAND LIMITED

Stock Code : 978

CHINA MERCHANTS LAND  
INTERIM REPORT

2015



# CONTENTS

- 2** Corporate Information
- 3** Chairman's Statement
- 5** Management Discussion and Analysis
- 14** Other Information
- 22** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 23** Condensed Consolidated Statement of Financial Position
- 25** Condensed Consolidated Statement of Changes in Equity
- 26** Condensed Consolidated Statement of Cash Flows
- 27** Notes to the Condensed Consolidated Financial Information

## CORPORATE INFORMATION

### DIRECTORS

#### Non-executive Directors

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

#### Executive Directors

Dr. SO Shu Fai  
 Mr. XIAN Yaoqiang  
 Mr. YU Zhiliang  
 Mr. LIU Zhuogen

#### 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

SHINEWING (HK) CPA LIMITED

### 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 (Hong Kong) Limited  
 Bank of China Limited  
 Bank of Communications Co., Ltd. Hong Kong  
 Branch  
 Baoshang Bank Limited  
 BNP Paribas, Hong Kong Branch  
 China Construction Bank Corporation  
 China Construction Bank (Asia) Corporation Limited  
 China Everbright Bank Co., Ltd.  
 China Merchants Bank Co., Ltd.  
 DBS Bank Limited  
 ING Bank N.V.  
 Industrial and Commercial Bank of China (Asia)  
 Limited  
 Industrial and Commercial Bank of China Limited  
 Industrial Bank Co., Ltd.  
 Standard Chartered Bank (Hong Kong) Limited  
 Sumitomo Mitsui Banking Corporation  
 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.cmland.hk>

### STOCK CODE

978

## CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2015, China's economy faced a large extent of descending pressure, while the government has implemented a series of easing financial and currency policies in order to stabilize the economic growth. With the continuing improvement in China's economic structure and a stable growth of GDP with the pace of 7%, as well as a series of policies established by the Central Bank including the beginning of interest rate cut cycle and state policy for stabilizing housing consumption, the transaction in property market have also stood firm. The total sales area of national commodity housing in the first half of the year amounted to 502,640,000 sq.m., representing an increase of 4% as compared with the corresponding period of 2014, while the average selling price of commodity housing was RMB6,816 per sq.m., representing an increase of 6% on a year-on-year basis. It is expected that the easing policies will continue in the second half of the year, and the growth pace of sales area and sales amount is expected to turn out with a continuous recovery.

In face of challenges of the inventory pressure from property market and differentiation in cities, the total contracted sales amount of the Group amounted to RMB3,926,675,000 in the first half of 2015 (year-on-year growth: 47%), while the total contracted sales area amounted to approximately 363,438 sq.m. (year-on-year growth: 152%). In respect of sales recognised, in the first half of 2015, turnover amounted to RMB1,395,012,000 (year-on-year decline: 60%), while the profit attributable to the equity owners of the Group was RMB130,684,000 (year-on-year growth: 114%) and the basic earnings per share was RMB2.66 cents (year-on-year growth: 115%). As compared with the first half of 2014, the decrease in operating income was mainly due to the significant decline in completed and delivered gross floor area during the period. However, with the influence of the completed acquisition of 49% equity interest in Merchants Property Development (Guangzhou) Ltd. ("Merchants Property Development (Guangzhou)"), a subsidiary of the Group, in September 2014, the Group can then recognize the entire profit of its projects into accounts, and it resulted in a significant increase in profit attributable to the equity owners.

In order to consolidate our foundation in property business, the Group has made significant investments in the first and second tier core cities including Guangzhou, Foshan, Nanjing, Chongqing and Xi'an and invest based on sales. The newly acquired land bank in the first half of 2015 amounted to 120,000 sq.m. while land bank amounted up to 6.77 million sq.m. as at the end of June 2015, which can support our sustainable development in future. Meanwhile, the Group strived to build up our professionalism in property industry, and be well exhibited its financing function as the only offshore listing platform of property business within China Merchants Group, the Group has successfully issued the US\$290,000,000 credit enhanced convertible bonds at the coupon rate of 0.50% and conversion price of HK\$2.9875 per share in June 2015, which enabled the Group to continue its growth with capital assurance.

In the second half of the year, the Group will pay close attention to the market with a focus on sales and profits. We will also strive to reach the contracted sales target with the amount of RMB12.5 billion for the year by seizing the ability of marketing. Meanwhile, we will continue to maintain our overseas development strategy and light-asset strategy, so as to achieve a new strategic breakthrough.

**CHAIRMAN'S STATEMENT (CONTINUED)**

With the commencement of integration between CMPD, our parent company, and China Merchants Shekou in the future, the platform of support from our parent company can be further strengthened. The Group will leverage the resource advantage and continue to expand our business and strengths, so as to make larger returns for shareholders.

**He Jianya***Chairman*

11 August 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET OVERVIEW ANALYSIS

The Chinese economy has started to stand firm in the first half of 2015 while the sales of property market have been gradually revived as the related policy in the property market was further relaxed. However, the upper stream of the market, development and investment could not be benefited from the recovery of sales. The property development investment in the PRC amounted to RMB4,395.5 billion in the first half of 2015, representing a nominal growth of 4.6% on year-on-year basis, of which the growth continued to experience a slowdown. The newly-commenced area of the properties amounted to 674.79 million sq.m. in the first half of 2015 which decreased by 15.8% as compared to the corresponding period in 2014, which means the property market in the PRC is still experiencing a stage of inventory digestion in the first half of 2015.

Property market in the first half of 2015 came off with an overall low open. The sales of commodity housing from January to June amounted to RMB3,425.9 billion, which increased by 10.0% while it reduced by 16.3% from January to February. However, the differentiation of urban areas has been becoming distinct, of which the revival pace in first-and-second-tier core cities was faster, in particular, the sales volume in Shenzhen revived far beyond expectation. The third-and-fourth-tier cities were outperformed by first-and second-tier cities relatively due to a higher inventory volume in third-and-fourth-tier cities.

In general, the government has put more emphasis on the importance of stabilizing economic growth in the property market under the pressure of descending macro-economy. While continuing to implement the stable and lenient currency and loan policy, the government will also establish an efficient mechanism in the long term to facilitate a healthy and robust development in the property market.

## FINANCIAL REVIEW

For the first half of 2015, profit attributable to the owners of the Company was RMB130,684,000 (the corresponding period of 2014: RMB61,021,000), representing an increase of approximately 114% as compared with the same period last year. Profit amounted to RMB141,161,000 (the corresponding period of 2014: RMB333,336,000), representing a decrease of approximately 58% as compared with the same period last year. The respective changes in profit attributable to the owners of the Company and profit for the period were primarily due to:

- (i) significant increase in profit attributable to the owners of the Company for the six months ended 30 June 2015 as compared to the corresponding period in 2014 due to (a) the completion of acquisition of 49% equity interest in 廣州招商房地產有限公司 (Merchants Property Development (Guangzhou) Ltd.) (“Merchants Property Development (Guangzhou)”) in September 2014 as a result of which the Company can account for 100% of the profit of those projects owned by Merchants Property Development (Guangzhou) since then; and (b) the significant increase in the total gross floor area (“GFA”) completed and delivered in Merchants Property Development (Guangzhou) during the period; and

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)****FINANCIAL REVIEW (CONTINUED)**

- (ii) significant decline in revenue and profit for the six months ended 30 June 2015 as compared to the corresponding period in 2014 due to the significant decline in the total GFA completed and delivered during the period.

Basic earnings per share was RMB2.66 cents (the corresponding period of 2014: RMB1.24 cents), representing an increase of 115% as compared with the corresponding period. The Group's aggregate contracted sales amounted to RMB3,926,675,000, representing an increase of 47% over that of the same period last year. Aggregate contracted sales area was 363,438 sq.m., increased by 152% over the same period last year. The average selling price was approximately RMB10,804 per sq.m., representing a decrease 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 contracted sales amount while it only accounted for 6% of the total contracted sales amount in the first half of 2015).

Equity attributable to owners of the Company was RMB5,098,242,000 as at 30 June 2015 (31 December 2014: RMB4,591,896,000), increased by approximately 11% as compared with that as at the end of last year.

**Turnover**

For the first half of 2015, the Group recorded turnover of RMB1,395,012,000 (the corresponding period of 2014: RMB3,496,954,000), representing a decrease of approximately 60% as compared with the same period last year. The decrease is mainly attributable to the reduction in the total GFA completed and delivered in the first half of 2015. More properties are expected to be delivered in the second half of the year. For the first half of 2015, projects in Foshan, Guangzhou, Chongqing and Nanjing accounted for 50%, 45%, 2% and 3%, respectively, of the total revenue of the Group.

**Gross Profit**

Gross profit amounted to RMB596,133,000 (the corresponding period of 2014: RMB887,468,000), representing a decrease of approximately 33% as compared with the same period last year. The gross profit margin was 43% which was increased by 18% as compared with the same period last year (the corresponding period of 2014: 25%). The increase was primarily due to the structure of recognised items in the period had changed. For the first half of 2015, Guangzhou Jinshan Valley and Foshan Evian Water Bank, which were relatively high profit-margin projects due to low land cost, recognised revenue accounted for 48% of the total recognised revenue in that period and such percentage was only 21% in the first half of 2014.

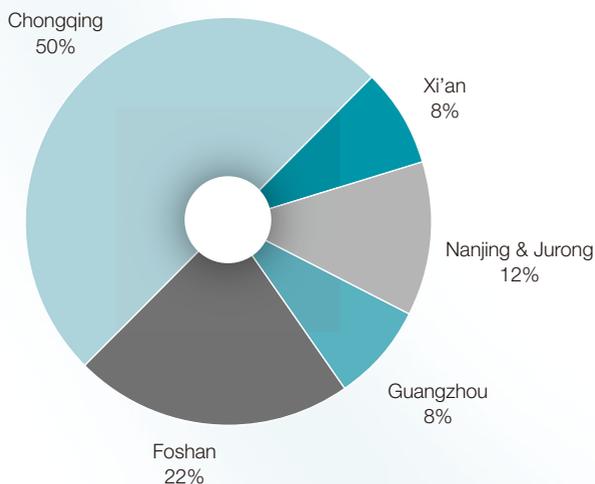
## BUSINESS REVIEW

### Property Development Business

As at 30 June 2015, the Group's portfolio of property development projects consisted of 24 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, villas, offices and retail shops etc.

Below are the breakdown of land bank by cities and a map showing the geographic locations and the land bank of the projects of the Group in the PRC. The saleable GFA of the properties comprising the projects which had not been sold or pre-sold as at 30 June 2015 ("land bank") was 6,772,389 sq.m..

**Land bank by cities as at 30 June 2015**

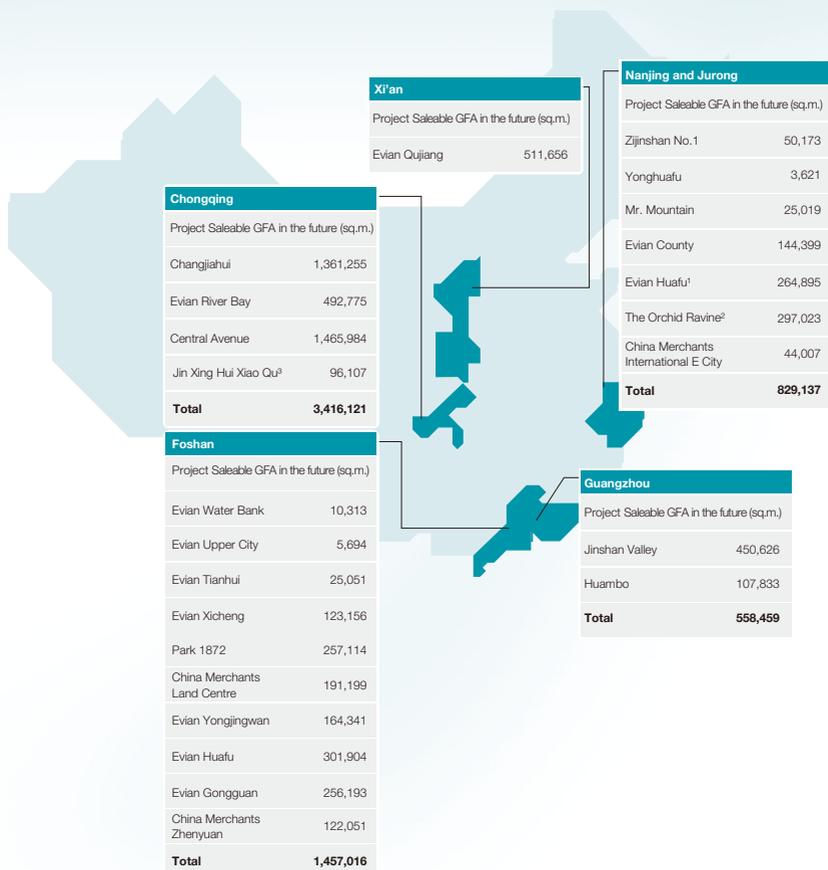


## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

## Property Development Business (Continued)

A map showing the geographical location and land bank of the projects of the Group in the PRC as at 30 June 2015



<sup>1</sup> formerly known as G16

<sup>2</sup> formerly known as G74

<sup>3</sup> formerly known as Guanyingqiao

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

## Property Development Business (Continued)

The table below details the Group's property development projects as at 30 June 2015 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				
		Total GFA (\$sq.m.)	Land bank (\$sq.m.)	GFA completed (\$sq.m.)	Total GFA saleable/retailable (\$sq.m.)	Of which sold/delivered (\$sq.m.)	Of which pre-sold but not yet delivered (\$sq.m.)	Of which not held for investment (\$sq.m.)	GFA under development (\$sq.m.)	Total GFA saleable/retailable (\$sq.m.)	Total GFA saleable (\$sq.m.)		
<b>Foshan</b>													
Etian Water Bank	50.00%	655,716	10,313	655,716	598,479	598,522	2,644	10,313	-	-	-		
Etian Upper City	50.00%	367,383	3,694	367,383	319,984	309,752	4,538	3,694	-	-	-		
Etian Tianhui	50.00%	301,818	25,051	301,818	291,679	280,915	5,713	25,051	-	-	-		
Etian Xicheng	50.00%	498,383	123,156	208,276	195,634	178,635	3,764	12,235	232,117	214,681	103,760		
Park 1872	100.00%	302,855	257,114	-	-	-	-	-	302,855	268,612	11,468		
China Merchants Land Centre	51.00%	222,694	191,189	-	-	-	-	-	222,694	196,381	5,162		
Etian Yongmingwan	50.00%	233,852	164,341	-	-	-	-	-	233,852	208,231	49,880		
Etian Huatu	50.00%	378,563	301,904	-	-	-	-	-	255,622	242,519	52,673		
Etian Gongguan	55.00%	317,111	256,183	-	-	-	-	-	298,086	231,229	51,868		
China Merchants Zhenyuan	50.00%	125,150	122,051	-	-	-	-	-	-	-	-		
<b>Foshan subtotal</b>		<b>3,335,125</b>	<b>1,457,016</b>	<b>1,521,193</b>	<b>1,406,776</b>	<b>1,338,824</b>	<b>16,659</b>	<b>53,293</b>	<b>1,465,226</b>	<b>1,361,653</b>	<b>268,871</b>	<b>328,706</b>	<b>310,941</b>
<b>Guangzhou</b>													
Jinshan Valley	100.00%	1,340,638	450,626	623,348	504,347	427,473	11,181	65,633	336,514	267,985	183,067	380,776	300,015
Huambo	51.00%	125,945	107,833	-	-	-	-	-	125,945	107,833	-	-	-
<b>Guangzhou subtotal</b>		<b>1,466,583</b>	<b>558,459</b>	<b>623,348</b>	<b>504,347</b>	<b>427,473</b>	<b>11,181</b>	<b>65,633</b>	<b>462,459</b>	<b>375,818</b>	<b>183,067</b>	<b>380,776</b>	<b>300,015</b>
<b>Chongqing</b>													
Changshu	50.00%	1,895,748	1,361,255	238,585	224,678	191,638	3,660	29,380	202,095	189,261	12,141	1,460,668	1,154,755
Etian River Bay	100.00%	535,610	492,775	-	-	-	-	-	161,580	143,838	15,463	368,220	364,420
Central Avenue	50.00%	1,550,496	1,465,984	-	-	-	-	-	100,485	98,273	53,070	1,450,011	1,419,781
Jin Xing Hu Xiao Qu	100.00%	98,574	96,107	-	-	-	-	-	-	-	-	98,574	96,107
<b>Chongqing subtotal</b>		<b>4,080,628</b>	<b>3,416,121</b>	<b>238,585</b>	<b>224,678</b>	<b>191,638</b>	<b>3,660</b>	<b>29,380</b>	<b>470,170</b>	<b>432,372</b>	<b>80,694</b>	<b>3,376,873</b>	<b>3,035,063</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

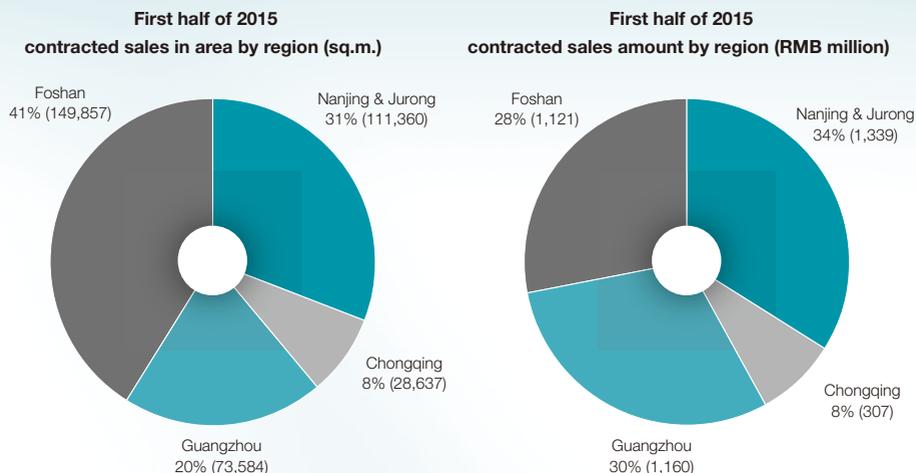
### Property Development Business (Continued)

Project	The Company's attributable interest in the projects	Completed			Under development			Future development				
		Total GFA (\$sq.m.)	Land bank (\$sq.m.)	GFA completed (\$sq.m.)	Total GFA saleable/releasable (\$sq.m.)	Of which sold and delivered (\$sq.m.)	Of which pre-sold but not yet delivered (\$sq.m.)	Of which not sold/ held for investment (\$sq.m.)	GFA under development (\$sq.m.)	Total GFA saleable (\$sq.m.)	Total GFA (\$sq.m.)	Of which pre-sold (\$sq.m.)
<b>Nanning &amp; Jurong</b>												
Zhijian No.1	51.00%	219,870	50,173	219,870	146,376	91,848	3,365	50,173	-	-	-	-
Yongshu	51.00%	179,854	3,621	91,306	78,634	-	76,078	756	88,548	72,882	70,017	-
Mr. Mountain	26.01%	74,573	25,019	-	-	-	-	-	74,573	64,495	38,476	-
Evian County	26.01%	212,974	144,399	-	-	-	-	-	102,365	94,055	44,107	94,451
Evian Huifu	51.00%	358,831	284,895	-	-	-	-	-	141,638	112,784	11,428	163,539
The Orchid Pavine	51.00%	349,603	239,023	-	-	-	-	-	92,260	81,287	-	257,323
China Merchants International E City	70.00%	131,308	44,007	-	-	-	-	-	82,592	82,592	76,672	48,716
<b>Nanning &amp; Jurong subtotal</b>		<b>1,521,013</b>	<b>829,137</b>	<b>305,176</b>	<b>224,210</b>	<b>91,848</b>	<b>81,433</b>	<b>50,929</b>	<b>581,996</b>	<b>508,095</b>	<b>240,700</b>	<b>633,841</b>
<b>Xian</b>												
Evian Qujiang	100.00%	536,288	511,656	-	-	-	-	-	240,104	239,320	-	296,164
<b>Xian subtotal</b>		<b>536,288</b>	<b>511,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,104</b>	<b>239,320</b>	<b>-</b>	<b>296,164</b>
<b>Total</b>		<b>10,939,637</b>	<b>6,772,389</b>	<b>2,683,302</b>	<b>2,360,011</b>	<b>2,047,783</b>	<b>112,933</b>	<b>199,295</b>	<b>3,229,955</b>	<b>2,917,258</b>	<b>773,332</b>	<b>5,016,380</b>
												<b>4,429,168</b>

## BUSINESS REVIEW (CONTINUED)

### Contracted sales

For the first half of 2015, the Group recorded contracted sales of approximately RMB3,926,675,000 from four cities and the saleable area sold was approximately 363,438 sq.m..



### Newly Acquired Land Bank

1 parcel of land were acquired during the period as follows:

Project	Total consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium (RMB/sq.m.)
Foshan China Merchants Zhenyuan	627	28,402	99,407	6,307

### 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.

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)****FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES**

As at 30 June 2015, the net assets attributable to shareholders of the Group were approximately RMB5,098,242,000 (31 December 2014: RMB4,591,896,000).

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

On 30 June 2015, total interest-bearing debt of the Group was RMB12,621,873,000 (31 December 2014: RMB9,583,217,000). Bank balances and cash was RMB5,358,041,000 (31 December 2014: RMB4,184,366,000). In terms of currency denomination, bank balances and cash can be divided into RMB3,475,052,000 in Renminbi, RMB1,874,159,000 in US\$ and RMB8,830,000 in Hong Kong dollars. In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bond) can be divided into RMB4,395,147,000 to be repaid within one year, RMB1,494,712,000 to be repaid after one year but within two years and RMB2,303,782,000 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 RMB5,684,179,000 in Renminbi and RMB6,937,694,000 in US\$.

At 30 June 2015, 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 63% (31 December 2014: 49%). Although the financial position of the Group is stable and the potential financing capacity is strong, the Group will continue to take the relatively stable financial policies and to control the net gearing ratio at the industry average level. The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US\$ and 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 Convertible Bonds and the Bond were denominated in US\$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US\$ exchange rates and might consider hedging should the need arises.

**NON-COMPETITION DEED**

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 2015; 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 ended 30 June 2015.

During the six months ended 30 June 2015, the Group chose not to take up projects in Zhengzhou and Hefei pursuant to the right of first refusal mentioned above. During the year 2014, the Group seized the business opportunities in Xi’an and Jurong. The Group will continue focusing on developing its property business in the 4 Target Cities and these 2 new cities entered in 2014 and will also select other cities carefully for investment and development should appropriate opportunities arise.

### OUTLOOK AND PROSPECTS

In the second half of the year, the Group will pay close attention to the market movements with a large focus on sales and profits. We will also strive to reach the contractual sales target with the amount of RMB12.5 billion for the year by seizing the ability of marketing. Meanwhile, we will continue to maintain our overseas development strategy and light-asset strategy, so as to achieve a new strategic breakthrough.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the period from 1 January 2015 to 30 June 2015 (1 January 2014 to 30 June 2014: Nil).

### PLEDGE OF ASSETS

As at 30 June 2015 and 31 December 2014, the Group did not have any charges on its property, plant and equipment or properties for sale.

### CONTINGENT LIABILITIES

The Group has contingent liabilities amounted to RMB1,892,129,000 as at 30 June 2015 (31 December 2014: RMB1,715,534,000).

### 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 2015, the Group had 531 (31 December 2014: 491 employees in the PRC and Hong Kong) employees in the PRC and Hong Kong.

The Group's total expenses on salaries and allowances (including directors' remuneration) for the period ended 30 June 2015 was approximately RMB78,639,000 (for the period ended 30 June 2014: RMB38,363,000). 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 2015.

**DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES**

As at 30 June 2015, 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 are held by Skill China Limited ("Skill China"). Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings ("control") of Skill China. Hence Fortune Alliance Group Limited is deemed to be interested in the shares held by Skill China. Fortune Alliance Group Limited is in turn controlled by Joint profit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence Dr. So Shu Fai is deemed to be interested in the shares 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.

## OTHER INFORMATION (CONTINUED)

**DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (CONTINUED)****Long positions in underlying shares of associated corporation**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of underlying shares involved</b>	<b>Approximate percentage (%) in the associated corporation</b>
Mr. He Jianya	Beneficial owner	641,600 <i>(Note)</i>	0.02%
Ms. Wu Zhenqin	Beneficial owner	364,500 <i>(Note)</i>	0.01%
Ms. Liu Ning	Beneficial owner	259,100 <i>(Note)</i>	0.01%
Mr. Xian Yaoqiang	Beneficial owner	296,900 <i>(Note)</i>	0.01%
Mr. Liu Zhuogen	Beneficial owner	168,300 <i>(Note)</i>	0.01%
Mr. Yu Zhiliang	Beneficial owner	118,200 <i>(Note)</i>	0.01%

*Note:*

These are the underlying shares involved in the share options granted by CMPD (a controlling shareholder indirectly holding 3,646,889,329 shares, representing approximately 74.35% of the issued share capital of the Company) to Mr. He Jianya, Ms. Wu Zhenqin, Ms. Liu Ning, Mr. Xian Yaoqiang, Mr. Liu Zhuogen and Mr. Yu Zhiliang.

Saved as disclosed above, as at 30 June 2015, 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' Rights to Acquire Shares or Debentures**

Save as disclosed under the heading "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 18 years old, 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 2015.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2015, 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.

## 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.

**OTHER INFORMATION (CONTINUED)****CHANGES IN THE DIRECTORS' INFORMATION****Change in Directors' Profile**

1. Dr. So Shu Fai retired from office as an independent non-executive director of SHK Hong Kong Industries Limited (listed on the Stock Exchange) on 2 June 2015.
2. On 23 June 2015, Mr. He Jianya was appointed as the non-independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd., the immediate holding company of CMPD.
3. On 23 June 2015, Ms. Wu Zhenqin was appointed as the non-independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd., the immediate holding company of CMPD.
4. On 10 March 2015, Ms. Liu Ning was appointed as the non-executive director of Shenzhen Fenda Technology Co., Ltd. (Stock Code: 002681), a company listed on the Shenzhen Stock Exchange.

Save as disclosed above, there are no significant changes to the profiles of the Company's directors as disclosed in the Company's 2014 annual report dated 13 February 2015.

**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**

Save as disclosed below, the Directors are not aware of any circumstances which would be required to disclose herein pursuant to the requirements under Rule 13.21 of the Hong Kong Listing Rules.

- On 30 July 2014, the Company as borrower entered into a loan agreement relating to a US\$100,000,000 term loan facility with a bank which has a term of 36 months commencing from the date of such loan agreement;
- On 19 August 2014, the Company as borrower entered into a banking facility agreement relating to a US\$50,000,000 committed revolving banking facility with a bank which has a term of 1 year commencing from the date of acceptance of such banking facility agreement;
- On 16 September 2014, Harvest Allied Investments Limited, a subsidiary of the Company, as borrower entered into a banking facility agreement relating to a US\$60,000,000 committed banking facility with a bank which the final maturity date falls 36 months from the date of signing of such facility agreement;
- On 31 December 2014, the Company as borrower entered into a loan agreement relating to a US\$100,000,000 term loan facility with a bank which has a term of 36 months commencing from the date of first advance;

**SPECIFIC PERFORMANCE OBLIGATIONS RELATING TO CONTROLLING SHAREHOLDERS (CONTINUED)**

- On 31 December 2014, the Company as borrower confirmed its acceptance of a term loan facility relating to a US\$100,000,000 committed term loan facility with a bank which has a term of 36 months commencing from the date of initial drawdown; and
- On 31 March 2015, the Company as borrower entered into a loan agreement relating to a US\$100,000,000 term loan facility with a bank. The Loan Facility has a term of 3 years commencing from the date of first advance.

The following events would trigger breach of one or more of the abovementioned loan agreements:

- (i) CMPD ceases to beneficially own (directly or indirectly) at least 50% of the issued share capital of the Company;
- (ii) CMPD ceases to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company;
- (iii) 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);
- (iv) Eureka ceases to beneficially own, directly or indirectly, at least 50.1% of the issued share capital of the Company;
- (v) CMPD ceases to beneficially own, directly or indirectly, 100% of the issued share capital of Eureka;
- (vi) China Merchants Group Limited ("CMG") ceases to be the single largest shareholder of CMPD (beneficially owned, directly or indirectly, the largest proportionate shareholding or ownership interest in CMPD from time to time) or ceases to beneficially own, directly or indirectly, at least 40% of the entire shareholding or ownership interest in CMPD;
- (vii) CMG ceases to be controlled by The State-owned Assets Supervision and Administration Commission of the State Council of the PRC or any other similarly empowered authorities of the PRC government; or
- (viii) Harvest Allied, a wholly-owned subsidiary of the Company, ceases to be the direct or indirect wholly owned subsidiary of the Company.

The loan agreement dated 19 August 2014 mentioned above contains a cross default provision so that if the Company or any of its subsidiaries commits a default under any other loan agreement(s) of whatever type and nature as conclusively determined by the bank and the amount in aggregate equals or exceeds US\$1,000,000 or its equivalent, it will also constitute an event of default under the loan agreement.

**OTHER INFORMATION (CONTINUED)****SPECIFIC PERFORMANCE OBLIGATIONS RELATING TO CONTROLLING SHAREHOLDERS (CONTINUED)**

The other loan agreements dated 30 July 2014, 16 September 2014, 31 December 2014 and 31 March 2015 mentioned above contain cross default provisions 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 those loan agreements.

Details of the above mentioned loan agreements made pursuant to the requirements of Rule 13.18 of the Listing Rules were disclosed in the announcements of the Company dated 30 July 2014, 19 August 2014, 16 September 2014, 31 December 2014 and 31 March 2015 respectively.

As at 30 June 2015, the aggregate outstanding principal of loans owed by the Group under the above loan agreements were US\$310,000,000.

**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 2015.

During the six months ended 30 June 2015, 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 Ms. Liu Ning, a non-executive Director, did not attend the annual general meeting of the Company held on 23 April 2015 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. He Jianya, chairman of the Board, could not attend the annual general meeting held on 23 April 2015 due to other business engagement which was a deviation from Code Provision E.1.2. However, he has appointed Mr. Xian Yaoqiang, an executive Director, to be his alternate director and acted as chairman of the annual general meeting.

### **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 inside information in relation to the Company 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 2015

	Notes	Six months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Revenue	4	<b>1,395,012</b>	3,496,954
Cost of sales		<b>(798,879)</b>	(2,609,486)
Gross profit		<b>596,133</b>	887,468
Other income		<b>22,587</b>	26,141
Net foreign exchange gains		<b>40,218</b>	16,937
Selling and marketing expenses		<b>(76,504)</b>	(35,676)
Administrative expenses		<b>(40,350)</b>	(38,763)
Share of loss of associates		<b>(5,195)</b>	–
Finance costs	5	<b>(84,051)</b>	(127,409)
Profit before tax	7	<b>452,838</b>	728,698
Income tax expense	6	<b>(311,677)</b>	(395,362)
Profit for the period		<b>141,161</b>	333,336
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		<b>187</b>	–
Profit and total comprehensive income for the period		<b>141,348</b>	333,336
Profit for the period attributable to:			
Owners of the Company		<b>130,684</b>	61,021
Non-controlling interests		<b>10,477</b>	272,315
		<b>141,161</b>	333,336
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		<b>130,871</b>	61,021
Non-controlling interests		<b>10,477</b>	272,315
		<b>141,348</b>	333,336
Earnings per share			
Basic (RMB cents)	9	<b>2.66</b>	1.24

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	<i>Notes</i>	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		35,757	36,873
Investment properties		22,508	22,676
Interests in associates	10	151,535	–
Goodwill		160,210	160,210
Deferred tax assets	14	390,285	374,386
Derivative component of convertible bonds	15	144,834	–
Other receivables		745,791	–
		<b>1,650,920</b>	594,145
<b>CURRENT ASSETS</b>			
Properties for sale		28,804,057	25,659,370
Deposit paid for acquisitions of land use rights		–	536,161
Trade and other receivables	11	3,006,449	2,372,615
Tax recoverable		143,164	253,265
Bank balances and cash		5,358,041	4,184,366
		<b>37,311,711</b>	33,005,777
<b>CURRENT LIABILITIES</b>			
Deposits received in respect of pre-sale of properties		9,639,041	6,475,013
Trade and other payables	12	4,942,690	6,066,708
Loans from equity holders – due within one year		811,467	820,500
Tax payable		209,597	514,751
Bank and other borrowings – due within one year	13	3,583,680	924,950
		<b>19,186,475</b>	14,801,922
<b>NET CURRENT ASSETS</b>		<b>18,125,236</b>	18,203,855

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
	<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,776,156</b>	18,798,000
<b>NON-CURRENT LIABILITIES</b>			
Loans from equity holders – due after one year		<b>621,596</b>	313,118
Bank and other borrowings – due after one year	13	<b>3,176,898</b>	4,506,572
Bonds payable – due after one year		<b>3,031,285</b>	3,018,077
Convertible bonds	15	<b>1,396,947</b>	–
Derivative component of convertible bonds	15	<b>61,341</b>	–
Deferred tax liabilities	14	<b>46,549</b>	35,516
		<b>8,334,616</b>	7,873,283
<b>NET ASSETS</b>		<b>11,441,540</b>	10,924,717
<b>CAPITAL AND RESERVES</b>			
Issued equity	16	<b>39,132</b>	39,132
Reserves		<b>5,059,110</b>	4,552,764
Equity attributable to owners of the Company		<b>5,098,242</b>	4,591,896
Non-controlling interests		<b>6,343,298</b>	6,332,821
<b>TOTAL EQUITY</b>		<b>11,441,540</b>	10,924,717

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to equity owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Equity transaction reserve RMB'000	Convertible	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					equity bonds reserve RMB'000					
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
At 1 January 2015 (audited)	<b>39,132</b>	<b>6,180,826</b>	<b>(2,402,195)</b>	<b>(958,955)</b>	-	<b>3,085</b>	<b>1,730,003</b>	<b>4,591,896</b>	<b>6,332,821</b>	<b>10,924,717</b>
Profit for the period	-	-	-	-	-	-	130,684	130,684	10,477	141,161
Other comprehensive income for the period:										
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	187	-	187	-	187
Recognition of equity component of convertible bonds (note 15)	-	-	-	-	414,329	-	-	414,329	-	414,329
Dividend declared (note 8)	-	(38,854)	-	-	-	-	-	(38,854)	-	(38,854)
At 30 June 2015 (unaudited)	<b>39,132</b>	<b>6,141,972</b>	<b>(2,402,195)</b>	<b>(958,955)</b>	<b>414,329</b>	<b>3,272</b>	<b>1,860,687</b>	<b>5,098,242</b>	<b>6,343,298</b>	<b>11,441,540</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
<b>Net cash generated from (used in) operating activities</b>	<b>536,133</b>	(4,345,437)
<b>Investing activities</b>		
Settled outstanding consideration in acquisition of a subsidiary	(1,212,767)	–
Interests in associates	(156,730)	–
Interest income received from associates	5,196	–
Purchase of property, plant and equipment	(1,287)	(610)
Advance to associates	(745,790)	–
Proceeds received on disposal of property, plant and equipment	1	–
<b>Net cash used in investing activities</b>	<b>(2,111,377)</b>	(610)
<b>Financing activities</b>		
New bank and other borrowings raised	1,950,672	3,046,000
Net proceeds from issue of convertible bonds	1,740,901	–
Net (repayment to) advance from intermediate holding companies	(62,890)	994,427
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
Advance from a fellow subsidiary	–	7,673
Bank and other borrowings repaid	(620,860)	(2,002,000)
Repayment to non-controlling equity holders of subsidiaries of the Group	–	(492,082)
Interest paid	(239,926)	(234,800)
Dividend paid	(38,854)	(46,369)
Expenses on issue of convertible bonds	(13,276)	–
<b>Net cash from financing activities</b>	<b>2,715,767</b>	2,161,591
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,140,523</b>	(2,184,456)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,180,956</b>	6,618,086
Effect of changes in foreign exchange rate	36,562	25,960
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>5,358,041</b>	4,459,590

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 1. GENERAL INFORMATION

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

The principal activities of the Group are development and sales of property, property leasing and sales of electronic and electrical related products and building related materials and equipment.

The condensed consolidated financial information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 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”).

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the condensed consolidated financial information using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

After application of the equity method, including recognising the associate's loss (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Investments in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in condensed consolidated financial information only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

#### Convertible bonds notes containing liability, equity components and derivatives

Convertible bonds issued by the Group that contain the liability, equity components and derivatives (which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both the liability and derivative components are measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability and derivatives respectively, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Convertible bonds notes containing liability, equity components and derivatives (Continued)

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium).

Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Upon redemption of the convertible bonds, the redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the redemption consideration and the fair value of the equity component will be included in equity (convertible bonds equity reserve) and released to retained profits.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to conversion derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle

The adoption of the above amendments and interpretation in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial information and/or disclosures set out in the condensed consolidated financial information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**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.

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").

**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
<b>For the six months ended 30 June 2015 (unaudited)</b>			
Segment revenue – external	–	1,395,012	1,395,012
Segment results	69	485,102	485,171
Net foreign exchange gains			24,610
Unallocated finance costs			(48,620)
Interest income			6,921
Share of loss of associates			(5,195)
Unallocated corporate expenses			(10,049)
Profit before tax			452,838

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Segment revenue and results (Continued)

	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
<b>For the six months ended 30 June 2014 (unaudited)</b>			
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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

## 5. FINANCE COSTS

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Interest on bank and other borrowings:		
– bank and other borrowings	199,271	167,247
– loans from non-controlling equity holders of subsidiaries of the Group	18,165	15,110
– bonds	77,428	61,772
– convertible bonds	4,270	–
Total borrowing costs	299,134	244,129
Less: Amount capitalised in the cost of qualifying assets	(215,083)	(116,720)
	84,051	127,409

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
The charge comprises:		
PRC Enterprise Income Tax		
– Current period	139,247	159,307
Land appreciation tax (“LAT”)	177,296	202,932
	316,543	362,239
Deferred tax ( <i>note 14</i> )	(4,866)	33,123
	311,677	395,362

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**6. INCOME TAX EXPENSE (CONTINUED)**

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong for both reporting 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	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	65,641	32,924
Pension scheme contributions	12,998	5,439
Total staff costs	78,639	38,363
Less: Amount capitalised to properties for sale	(34,092)	(17,031)
	44,547	21,332
Gross rental income from investment properties	(2,132)	(1,706)
Less: Direct operating expenses incurred	548	250
	(1,584)	(1,456)
Cost of properties for sale recognised as an expense	798,879	2,609,486
Depreciation of property, plant and equipment	1,902	1,469
Depreciation of investment properties	168	168

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**8. DIVIDEND**

During the current period, a final dividend of HK\$0.01 (2014: HK\$0.012) per ordinary share in respect of the year ended 31 December 2014 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 approximately RMB38,854,000 (2014: RMB46,684,000).

No interim dividend was paid, declared or proposed during the six months ended 30 June 2015, nor has any dividend been proposed since the end of the interim reporting period (2014: Nil).

**9. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to owners of the Company of approximately RMB130,684,000 (2014: RMB61,021,000) and the weighted average number of 4,905,257,860 (2014: 4,905,257,860) ordinary shares in issue during the period.

The computations of diluted earnings per share for both reporting periods do not assume the conversion of the Group's convertible bonds since their exercise would result in an increase in earnings per share which is anti-dilutive.

**10. INTERESTS IN ASSOCIATES**

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Costs of investments in associates		
Unlisted	<b>156,730</b>	–
Share of post-acquisition losses	<b>(5,195)</b>	–
	<b>151,535</b>	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**11. TRADE AND OTHER RECEIVABLES**

Trade receivables mainly arise from Trading Segment and Properties Segment. The Group's credit terms with its trade customers are generally 0 to 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 60 days from the date of agreement.

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

	<b>At 30 June 2015 (unaudited) RMB'000</b>	<b>At 31 December 2014 (audited) RMB'000</b>
30 days or less	<b>4,667</b>	3,282
31 to 60 days	–	–
61 to 90 days	–	2,039
Over 90 days	<b>3,287</b>	451
	<b>7,954</b>	5,772

**12. 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:

	<b>At 30 June 2015 (unaudited) RMB'000</b>	<b>At 31 December 2014 (audited) RMB'000</b>
0 to 60 days	<b>469,600</b>	888,036
61 to 180 days	<b>478,156</b>	632,656
181 to 365 days	<b>200,486</b>	168,996
Over 365 days	<b>218,779</b>	259,880
	<b>1,367,021</b>	1,949,568

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**13. BANK AND OTHER BORROWINGS**

The Group's bank and other borrowings were subject to fixed-rate interest or variable-rate interest at London Interbank Offered Rate ("LIBOR") or RMB Benchmark Loan Rates offered by the People's Bank of China. The weighted average effective interest rates on the Group's bank and other borrowings was 5.79% per annum (2014: 6.10% per annum).

**14. DEFERRED TAXATION**

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

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Deferred tax assets	390,285	374,386
Deferred tax liabilities	(46,549)	(35,516)
	<b>343,736</b>	338,870

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 2014 (audited)	331,016	4,667	(103,389)	26,337	258,631
(Charge) credit to profit or loss (note 6)	(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
Credit (charge) to profit or loss	42,788	29,712	67,115	(26,253)	113,362
At 31 December 2014 (audited)	276,024	98,362	(33,284)	(2,232)	338,870
Credit (charge) to profit or loss (note 6)	16,553	(654)	(12,122)	1,089	4,866
<b>At 30 June 2015 (unaudited)</b>	<b>292,577</b>	<b>97,708</b>	<b>(45,406)</b>	<b>(1,143)</b>	<b>343,736</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**15. CONVERTIBLE BONDS**

On 23 June 2015, the Group issued a 0.50% convertible bonds which were due on 23 June 2020 with an aggregate principal amount of US\$290,000,000. The convertible bonds were denominated in United States Dollars (“US\$”) and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$2.9875 per share at any time on or after 2 August 2015 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the Group before maturity date, then up to and including the close of business on a date no later than 15 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Group at its principal amount outstanding on maturity date plus accrued interest. The Group may, on giving not less than 30 nor more than 90 days’ notice to bondholders at any time on or after 23 December 2016 prior to the maturity date redeem all the outstanding convertible bonds in whole at the outstanding principal amount and accrued interest. The bondholders have the right to require the Group to redeem all or some of the convertible bonds on 23 June 2018 at their principal amount together with accrued and unpaid interest to the respective dates fixed for redemption.

At the issue date, the convertible bonds were bifurcated into liability, equity and derivative components. The equity element is presented in equity under “Convertible bonds equity reserve”. The effective interest rate of the liability component is 5.196% per annum.

**16. ISSUED EQUITY****Ordinary share capital of the Company**

	Number of shares	Amounts HK\$'000	
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2014, 31 December 2014 and 30 June 2015	30,000,000,000	300,000	
	Number of shares	Equivalent to HK\$'000      RMB'000	
<b>Issued and fully paid:</b>			
At 1 January 2014, 31 December 2014 and 30 June 2015	4,905,257,860	49,053	39,132

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**17. CONTINGENT LIABILITIES**

As the end of the reporting period, contingent liabilities of the Group were as follows:

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Guarantee given to banks in connection with facilities granted to their customers ( <i>Note i</i> )	1,862,621	1,686,026
Court proceedings ( <i>Note ii</i> )	29,508	29,508

Notes:

- (i) 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.
- (ii) A subsidiary of the Group is a defendant in a legal action involving the alleged failure of the subsidiary to settle the payable to a contractor in accordance with the terms of contract. The directors believe, based on legal advice, that the action can be successfully defended and no losses (including claims for costs) will be incurred.

**18. RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related party transactions**

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

Related party	Nature of transaction	Six months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Fellow subsidiaries	Property management fee paid ( <i>note</i> )	41,391	19,320
	Service income ( <i>note</i> )	6,855	4,703

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

**18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(b) Related party balances**

As at 30 June 2015, approximately RMB1,894,454,000 (31 December 2014: RMB1,973,256,000) was deposited at China Merchants Bank (“CMB”) which is an associate of China Merchants Group Limited, the ultimate holding company of the Company. Approximately RMB884,500,000 (31 December 2014: RMB592,000,000) are bank borrowings from CMB. For the six months ended 30 June 2015, the interest income and interest expenses on deposits and loan balances with CMB recognised by the Group amounted to approximately RMB10,593,000 (six months ended 30 June 2014: RMB11,443,000) and RMB23,244,000 (six months ended 30 June 2014: RMB4,000,000).

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2015 RMB'000	31 December 2014 RMB'000		
Derivative component of convertible bonds	144,834	–	Level 2	Binomial model based on the stock price, expected volatility, expected option period and risk free rate
Derivative component of convertible bonds	(61,341)	–	Level 2	