



招商局置地有限公司

CHINA MERCHANTS LAND LIMITED

Stock Code 股份代號: 978

2016 INTERIM REPORT

招商局置地中期報告
2016



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CORPORATE INFORMATION

DIRECTORS

Non-executive Directors

Mr. XU Yongjun (*Chairman*)
 Mr. HUANG Junlong
 Mr. YAN Chengda
 Ms. LIU Ning

Executive Directors

Dr. SO Shu Fai
 Mr. YU Zhiliang
 Mr. WONG King Yuen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. XU Yongjun (*Chairman*)
 Ms. CHEN Yanping
 Dr. SHI Xiping

REMUNERATION COMMITTEE

Ms. CHEN Yanping (*Chairman*)
 Mr. HUANG Junlong
 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 2603 to 2606, 26/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.
 Bank of Communications Co., Ltd. Hong Kong
 Branch
 Baoshang Bank Limited
 China CITIC Bank Corporation Limited
 China Construction Bank Corporation
 China Construction Bank (Asia) Corporation
 Limited
 China Everbright Bank Co., Ltd.
 China Merchants Bank Co., Ltd.
 China Zheshang 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.
 Shanghai Pudong Development Bank Co., Ltd.
 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

To Shareholders,

In the first half of 2016, the national policy of the real estate industry continued with the relaxing policy of "Adjusting down payment, relaxing credit and lowering tax liability", while local policies significantly differentiate from that as a result of the market response. Most cities have been boosted up comprehensively, while the hotspot cities started to tighten up. Encouraged by a basket of "Property Destocking" policies, the indicator for the real estate industry has been continuously improving with both the development investment and the growth of newly constructed area bouncing back from the trough, while the transaction volume of most cities in the first half of the year was higher than that of the corresponding period of last year.

Benefited from the recovery of the real estate market, the market in the first and second tier cities has been bloomed. Coupled with the concerted efforts of all staffs, in the first half of 2016, the Group managed to achieve a total contracted sales amount of RMB8,470,664,000 (representing a year-on-year growth of 116%) and a total contracted sales area of approximately 607,373 sq.m. (representing a year-on-year growth of 67%). In respect of sales recognition, in the first half of 2016, turnover amounted to RMB3,333,401,000 (representing a year-on-year growth of 139%), while the profit attributable to the equity owners of the Group was RMB50,501,000 (representing a year-on-year decline of 61%) and the basic earnings per share was RMB1.03 cents (representing a year-on-year decline of 61%). The profit attributable to the equity owners did not increase correspondingly with the turnover, which was mainly due to the relatively lower equity interests in the project companies and lower gross profit margin for the majority of projects delivered in the first half of the year, however, continuous improvements would be seen in the second half of the year. Besides, the foreign exchange losses were generated under the net liabilities position in foreign currencies resulting from the continuous depreciation of RMB during the reporting period.

To effectively respond to the development trend of the real estate industry, the Group has still adhered to its principle of "sustainable and innovative development" during business development. Regarding land expansion, in the first half of 2016, 0.16 million sq.m. of land was newly acquired in Nanjing, with land reserve reaching 6.35 million sq.m. at the end of June 2016 and it will be able to support the future development. For the overseas development, the Group actively encouraged China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("CMSK") to take advantage of the Group's offshore listing platform to integrate overseas assets in a mutually beneficial manner, and has achieved a breakthrough. As to the light-assets operation, a subsidiary of the Group in Chongqing signed the "Cooperation Agreement of Jin Shan Cultural Creative Industry Park Project" (《金山文化創意產業園專案合作協定》) with the Administration Committee of the Northern New District of Chongqing (重慶北部新區管理委員會) and the subsidiary was responsible for operating the "金山意庫" project covering 130,000 sq.m. of land and sharing the operating experience of the Group in relation to the cultural creative park. The park is expected to be open in November 2016. The Group has also actively optimized the debt structure through translating the original loans denominated in foreign currency to debts denominated in RMB to progressively control exchange risk. The measures in respect of conducting business transition in phases and development and structural adjustment introduced by the Group would be beneficial to the enhancement of long-term profitability.



CHAIRMAN'S STATEMENT (CONTINUED)

Looking forward to the second half of the year, as the overall real estate industry in China has significantly picked up, it is unlikely that the central government will further introduce national relaxation policies as a matter of urgency, while destocking would be more reliant on the relevant policies of each region in satisfaction of local needs. It is expected the real estate development investment in the second half of the year would experience a slow growth. The market may enter into an adjustment period, evidenced by the continuous trend of polarization in different cities and more frequent acquisitions and mergers and reorganization activities in the industry.

The Group will closely monitor the market dynamics as usual and make efforts in achieving the sales and profit targets. Meanwhile, benefited from the resources of China Merchants Group and CMSK, we will progressively expand into overseas markets and continue to carry forward our light-assets business model to transform into the best property investment operator.

XU Yongjun*Chairman*

18 August 2016



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW ANALYSIS

In the first half of 2016, the national policy of the real estate industry continued with the relaxing policy of “Adjusting down payment, relaxing credit and lowering tax liability”, while local policies significantly differentiate from that as a result of the market response. Most cities have been boosted up comprehensively, while the hotspot cities started to tighten up. Encouraged by a basket of “Property Destocking” policies, the indicator for the real estate industry has been continuously improving with both the development investment and the growth of newly constructed area bouncing back from the trough, while the transaction volume of most cities in the first half of the year was higher than that of the corresponding period of last year.

FINANCIAL REVIEW

For the first half of 2016, profit attributable to the owners of the Company was RMB50,501,000 (the corresponding period of 2015: RMB130,684,000), representing a decrease of approximately 61% as compared with the same period last year. Profit amounted to RMB211,326,000 (the corresponding period of 2015: RMB141,161,000), representing an increase of approximately 50% 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 revenue and profit for the six months ended 30 June 2016 as compared to the corresponding period in 2015 due to the significant increase in the total gross floor area of properties completed and delivered during the period. Such properties were mainly held by project companies in which the Group holds a relatively lower equity interest which led to the significant decline in profit attributable to the owners of the Company for the six months ended 30 June 2016 as compared with the corresponding period in 2015 and it is expected that projects with relatively higher equity interest attributable to the owners of the Company will be completed and delivered in the second half of 2016.
- (ii) Significant decrease in profit attributable to the owners of the Company for the six months ended 30 June 2016 was due to the non-cash items below:
 - (a) an exchange loss was recorded for the six months ended 30 June 2016 while an exchange gain was recorded for the six months ended 30 June 2015. The exchange loss recorded for the six months ended 30 June 2016 was mainly due to the significant depreciation of Renminbi against United States Dollars during that period;
 - (b) a fair value loss on derivative financial instruments of approximately RMB32,686,000 was recognized to the profit or loss for the six months ended 30 June 2016 as a result of the issuance of five-year term credit enhanced convertible bonds on 23 June 2015 by a wholly-owned subsidiary of the Company in an aggregate principal amount of US\$290,000,000 bearing coupon rate of 0.5% per annum.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Basic earnings per share was RMB1.03 cents (the corresponding period of 2015: RMB2.66 cents), representing a decrease of 61% as compared with the corresponding period. The Group, together with its associate and joint venture, achieved aggregate contracted sales amounted to RMB8,470,700,000, representing an increase of 116% over that of the same period last year. Aggregate contracted sales area was 607,373 sq.m., increased by 67% over the same period last year. The average selling price was approximately RMB13,946 per sq.m., representing an increase of 29% over that of the same period last year.

Equity attributable to owners of the Company was RMB5,216,277,000 as at 30 June 2016 (31 December 2015: RMB5,178,196,000), increased by approximately 0.7% as compared with that as at the end of last year.

Turnover

For the first half of 2016, the Group recorded turnover of RMB3,333,401,000 (the corresponding period of 2015: RMB1,395,012,000), representing a significant increase of approximately 139% as compared with the same period last year. The increase is due to the increase in the total gross floor area ("GFA") completed and delivered in the first half of 2016. For the first half of 2016, projects in Foshan, Guangzhou, Chongqing and Nanjing accounted for 61%, 3%, 10% and 26%, respectively, of the total revenue of the Group.

Gross Profit

Gross profit amounted to RMB709,739,000 (the corresponding period of 2015: RMB596,133,000), representing an increase of approximately 19% as compared with the same period last year. The gross profit margin was 21% which was decreased by 22 percentage points as compared with the same period last year (the corresponding period of 2015: 43%). The decrease in gross profit margin was primarily due to the structure of recognised items in the period had changed. For the first half of 2016, over 60% of the recognized revenue were derived from projects with relatively low profit margin while over 80% of the recognized revenue were derived from projects with relatively high profit margin for the first half of 2015.



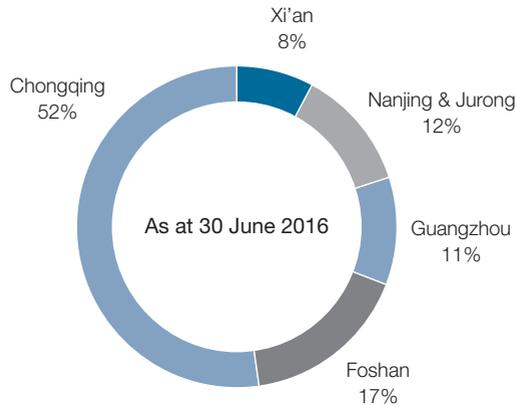
BUSINESS REVIEW

Property Development Business

As at 30 June 2016, the Group’s portfolio of property development projects consisted of 26 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 2016 (“land bank”) was 6,353,674 sq.m..

Land bank by cities

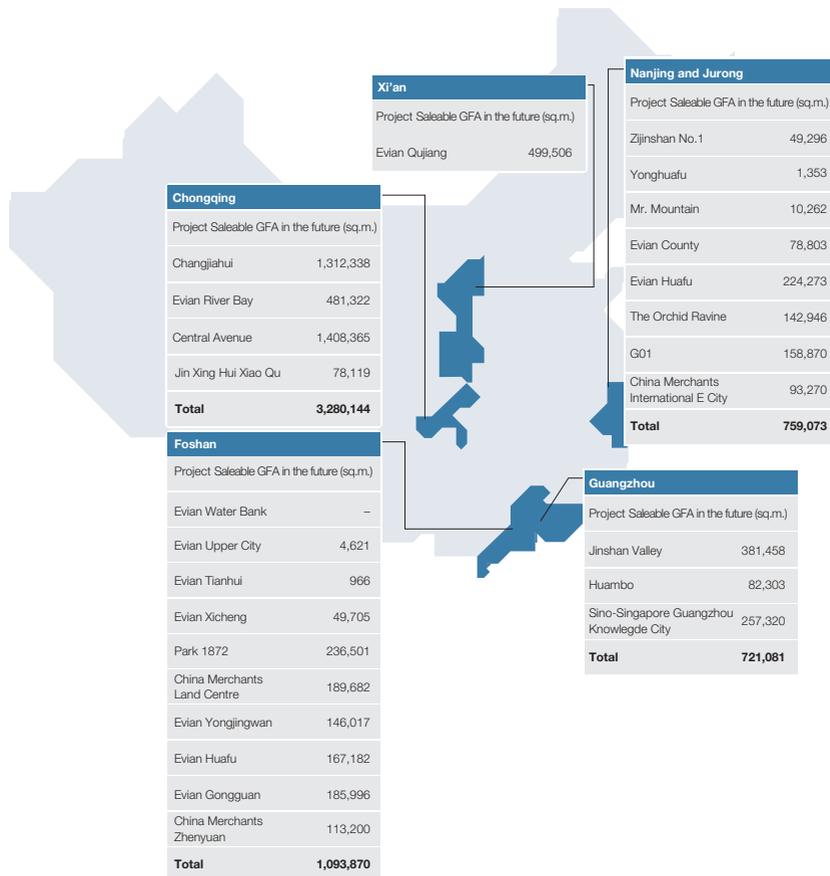


MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2016



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 2016 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.

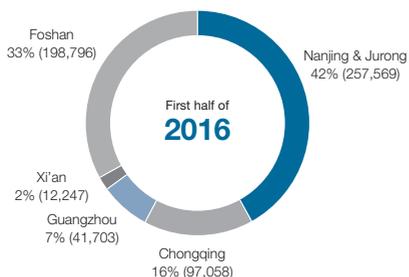
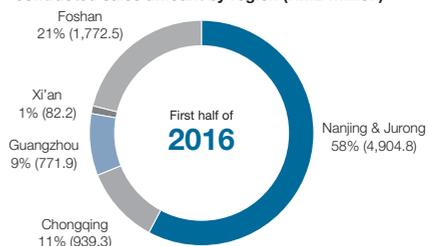
#Project	The Company's attributable interest in the projects	Completed						Under development			Future development	
		Total GFA (sq.m.)	Land bank (sq.m.)	GFA completed (sq.m.)	Total GFA saleable/rentable (sq.m.)	Of which sold/delivered (sq.m.)	Of which pre-sold but not yet delivered (sq.m.)	Of which pre-sold/ not held for investment (sq.m.)	GFA under development (sq.m.)	Total GFA saleable/rentable (sq.m.)	Of which pre-sold (sq.m.)	Total GFA saleable (sq.m.)
Foshan												
Evian Water Bank	50.0%	655,716	-	655,716	599,387	594,145	5,252	-	-	-	-	-
Evian Upper City	50.0%	355,982	4,621	355,982	319,955	311,617	3,727	4,621	-	-	-	-
Evian Tianhu	50.0%	301,818	966	301,818	271,940	270,859	115	966	-	-	-	-
Evian Xiong	40.0%	498,383	49,105	384,082	349,782	310,436	2,682	36,604	54,311	48,975	35,874	-
Park 1872	100.0%	308,684	236,501	151,311	129,731	21,611	12,283	95,827	157,383	140,674	-	-
China Merchants Land Centre	51.0%	222,684	188,682	-	-	-	-	-	222,684	196,381	6,699	-
Evian Yongqian	50.0%	233,852	146,017	120,500	105,821	46,341	8,490	50,980	113,352	100,922	5,686	-
Evian Huali	50.0%	382,108	167,182	139,970	130,617	84,869	17,073	28,875	124,421	119,334	78,225	100,717
Evian Gonglian	55.0%	317,111	185,386	123,938	120,408	75,673	18,663	26,072	114,157	110,363	27,871	79,016
China Merchants Zhenyuan	50.0%	139,683	113,200	-	-	-	-	-	133,683	124,961	11,761	-
Foshan subtotal		3,330,051	1,088,870	2,230,327	2,027,611	1,715,551	68,305	243,755	919,991	842,210	166,325	174,230
Guangzhou												
Jinshan Valley	100.0%	1,339,476	381,458	854,841	671,553	436,046	136,513	96,394	256,679	205,072	115,619	195,011
Huambo	51.0%	126,363	82,303	-	-	-	-	-	126,363	103,611	21,308	-
Sino-Singapore Guangzhou Knowledge City	60.0%	343,508	257,320	-	-	-	-	-	-	-	-	343,508
Guangzhou subtotal		1,809,347	721,081	854,841	671,553	436,046	136,513	96,394	382,942	308,683	136,927	591,564
Chongqing												
Changshu	50.0%	1,886,084	1,312,338	389,402	379,780	205,657	6,211	167,912	394,186	385,111	36,260	1,102,936
Evian River Bay	100.0%	533,682	481,322	165,473	155,287	35,084	3,310	116,903	-	-	-	368,219
Central Avenue	50.0%	1,546,440	1,418,365	-	-	-	-	-	357,443	349,188	120,522	1,189,987
Jin Xing Hi Xian Ou	100.0%	98,044	78,119	-	-	-	-	-	98,044	96,107	17,988	-
Chongqing subtotal		4,074,270	3,280,144	564,875	535,077	240,741	9,521	284,815	849,673	830,406	174,770	2,659,722
										2,339,683		



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)**Contracted sales**

For the first half of 2016, the Group, together with its associate and joint venture, recorded contracted sales of approximately RMB8,470,700,000 from five cities and the saleable area sold was approximately 607,373 sq.m..

contracted sales in area by region (sq.m.)**contracted sales amount by region (RMB million)****Newly Acquired Land Bank**

1 parcel of land was 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.)
Nanjing G01	4,820	62,728	161,211	29,899

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 2016, the net assets attributable to shareholders of the Group were approximately RMB5,216,277,000 (31 December 2015: RMB5,178,196,000).

As at 30 June 2016, bank balances and cash was RMB4,742,681,000 (31 December 2015: RMB3,697,337,000). In terms of currency denomination, bank balances and cash can be divided into RMB4,178,364,000 in Renminbi, RMB560,778,000 in US\$ and RMB3,539,000 in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES (CONTINUED)

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.

As at 30 June 2016, total interest-bearing debt of the Group was RMB12,377,782,000 (31 December 2015: RMB11,797,252,000). In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bond) can be divided into RMB2,115,002,000 repayable within one year, RMB3,951,046,000 repayable after one year but within two years and RMB1,417,560,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB6,817,358,000 in Renminbi and RMB5,560,424,000 in US\$.

At 30 June 2016, 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 2015: 69%). 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

To minimise actual and potential competition, the Group and China Merchants Property Development Co., Ltd ("CMPD") entered into a non-competition deed on 19 June 2013 as amended and supplemented on 4 October 2013 (the "Non-Competition Deed"). On 30 December 2015, the Company, CMPD and China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) ("CMSK")^{Note 1} had entered into a deed of amendment and novation ("Novation Deed") pursuant to which all the obligations, undertakings, interests and benefits of CMPD under the Non-Competition Deed were novated to and undertaken by CMSK in replacement of CMPD as if CMSK has been a party to the Non-Competition Deed in substitution of CMPD with effective from 30 December 2015. Other than that, all the other terms of the Non-Competition Deed shall remain unchanged^{Note 2}.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**NON-COMPETITION DEED (CONTINUED)**

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

The independent board committee comprising all the independent non-executive Directors of the Company, had (i) reviewed the quarterly reports prepared by the Company's management containing latest information on the respective property projects portfolios of CMSK Group and the Group; (ii) carried out a review on the implementation of and compliance with the Non-Competition Deed by CMSK Group and the Group during the six months ended 30 June 2016; and (iii) confirmed that the terms of the Non-Competition Deed had been complied with by CMSK Group and the Group during the six months ended 30 June 2016.

The Group will continue focusing on developing its property development business in the 4 Target Cities and the 2 new cities entered in 2014 and will also select other new cities carefully for investment and development should appropriate opportunities arise.

Notes:

1. According to the announcements published by CMSK and CMPD on the Shenzhen Stock Exchange, on 30 December 2015, CMSK and CMPD had completed the major asset restructuring and integration exercise pursuant to which, among other things, all assets, liabilities, businesses, employees, contracts and all others rights and obligations of CMPD have been taken up and assumed by CMSK in replacement of CMPD. CMPD was delisted from the Shenzhen Stock Exchange and the shares of CMSK became listed on the Shenzhen Stock Exchange, all with effect from 30 December 2015.
2. In the above paragraphs under the heading of "Non-competition Deed", for the avoidance of doubt, references to CMSK should be construed as referring to CMPD in the context of any time before 30 December 2015.

OUTLOOK AND PROSPECTS

Looking forward to the second half of the year, as the overall real estate industry in China has significantly picked up, it is unlikely that the central government will further introduce national relaxation policies as a matter of urgency, while destocking would be more reliant on the relevant policies of each region in satisfaction of local needs. It is expected the real estate development investment in the second half of the year would experience a slow growth. The market may enter into an adjustment period, evidenced by the continuous trend of differentiation in regions and cities and more frequent acquisitions and mergers and reorganization activities in the industry.

The Group will closely monitor market dynamics as usual, and make efforts in achieving the sales and profit targets. Meanwhile, benefited from the resources of CMG and CMSK, we will progressively expand into overseas markets and continue to carry forward our light-assets business model in order to transition into the best property investment operator.

Save as mentioned in this report, the Group has no material change to its future plans for material investments or capital assets and their expected source or funding in the second half of the year from the information disclosed in the Company's annual report 2015.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the period from 1 January 2016 to 30 June 2016 (1 January 2015 to 30 June 2015: Nil).

PLEDGE OF ASSETS

As at 30 June 2016, properties for sale located in Chongqing and Guangzhou with carrying values of approximately RMB1,383,544,000 (31 December 2015: RMB699,290,000) have been pledged to secure bank borrowings amounting to RMB641,830,000 (31 December 2015: RMB187,800,000) granted to the Group.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounted to RMB4,070,550,000 as at 30 June 2016 (31 December 2015: RMB2,492,062,000).

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 2016, the Group had 586 (31 December 2015: 583 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 2016 was approximately RMB85,586,000 (for the period ended 30 June 2015: RMB78,639,000). 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 2016.



DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests or short positions of Directors 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 are as follows:

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 (Note)	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.

Saved as disclosed above, as at 30 June 2016, 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.

The Company currently does not have any chief executive (which functions are carried out by all the executive Directors) for the purpose of the Listing Rules and the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading "Directors' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" 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.



OTHER INFORMATION (CONTINUED)**SHARE OPTION SCHEME**

The 2011 Share Option Scheme was adopted at the annual general meeting of the Company 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 grants under the 2011 Share Option Scheme were made during the six months ended 30 June 2016. Since the adoption of the 2011 Share Option Scheme on 27 September 2011 ("Adoption Date") and up to and including 30 June 2016, no share option has ever been granted under it.

A brief summary of the terms of the 2011 Share Option Scheme is set out below:

1. Purpose of the scheme

The purpose of the scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group.

2. Participants of the scheme

The Directors may within a period of ten (10) years commencing from the 2011 Share Option Scheme make offer for the grant of options to subscribe for Shares to eligible participants, namely, (a) any full time employee, executive or executive director of the Company, its subsidiaries or any entity in which any member of the Group holds any equity interest; (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest ("Invested Entity"); (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the scheme, the offer may be made to any company wholly owned by one or more eligible participants mentioned above.

3. Total number of securities available for issue under the scheme and percentage

According to the scheme mandate limit approved by the shareholders on the Adoption Date, the Directors are authorised to grant share options to subscribe up to 106,846,886 Shares, representing 10% of the total number of issued shares as at the Adoption Date. As no offer for grant of share options has ever been made under the scheme, the total number of Shares underlying the share options available for grant is 106,846,886 Shares, representing approximately 2% of the total number of issued shares as at the date of this interim report. As there are no options granted under the scheme and hence there are no outstanding options under the scheme, the total number of Shares available for issued under the scheme is zero.



SHARE OPTION SCHEME (CONTINUED)**4. Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

5. Period within which Shares must be taken up under an option

The period within which the shares must be taken up under an option shall not be later than 10 years from the date the option is granted.

6. Minimum period before an option can be exercised

There is no minimum period for which an option must be held before it can be exercised.

7. Amount payable on acceptance and period within which payment must be made

HK\$1.00 is payable on acceptance of the option within 21 days from its date of grant.

8. Basis for determining exercise price

The exercise price in respect of any option shall, subject to any adjustments made pursuant to the terms of scheme, be at the discretion of the Directors, provided that it shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of grant;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

9. Life of the scheme

The scheme has a life of 10 years commencing from the Adoption Date and will expire on the 10th anniversary of the Adoption Date, namely, 27 September 2021.



OTHER INFORMATION (CONTINUED)**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

At 30 June 2016, the interests or short positions of persons, other than a Director or chief executive of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and persons who are substantial shareholders of the Company within the meaning of the Listing Rules are as follows:

Name	Capacity and nature of interest	Number of ordinary shares held		Percentage of the Company's issued share capital
		Long position	Short position	
China Merchants Group Ltd.	Through controlled corporations	3,646,889,329	–	74.35%
CMSK	Through controlled corporations	3,646,889,329	–	74.35%
Eureka Investment Company Limited ("Eureka")	Through controlled corporations	3,646,889,329	–	74.35%
Good Ease Holdings Limited ("Good Ease")	Through controlled corporations	3,646,889,329	–	74.35%
Success Well Investments Limited ("Success Well")	Beneficial interest	3,646,889,329	–	74.35%

Approximately 74.35% of the issued share capital of the Company is directly held by Success Well. Success Well is wholly-owned by Good Ease. Good Ease is wholly-owned by Eureka, which is in turn wholly-owned by CMSK. As at 30 June 2016, CMSK is owned by China Merchants Group Limited as to 71.29%. Accordingly, each of Good Ease, Eureka, CMSK and China Merchants Group Limited is deemed to be interested in the shares of the Company registered in the name of Success Well.

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any other person (other than the Directors or chief executive of the Company) who 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 Directors' Profile

1. In July 2016, Mr. Yan Chengda retired from the office as deputy general manager of CMSK and appointed as the senior consultant of CMSK.
2. In December 2011, Ms. Liu Ning was appointed as the independent director of Eastern Pioneer Driving School Co., Ltd. (東方時尚駕駛學校股份有限公司) (Stock Code: 603377) which was listed on the Shenzhen Stock Exchange in February 2016. In June 2016, Ms. Liu Ning was resigned as the independent director in Tianjin Zhonghuan Semiconductor Co., Ltd. (天津中環半導體股份有限公司) (Stock Code: 002129) which are listed on the Shenzhen Stock Exchange.
3. In August 2016, Mr. Yu Zhiliang has re-designated as general manager from chief financial officer of the Company.

Save as disclosed above, there are no changes to the profiles of the Company's directors during the period which required disclosure under Rule 13.51B(1) of the Listing Rules.

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 31 December 2014, the Company as borrower confirmed its acceptance of a term loan facility relating to a USD100,000,000 committed term loan facility with a bank which has a term of 36 months commencing from the date of initial drawdown;
- On 31 May 2016, the Company as borrower entered into a loan agreement relating to a RMB640,000,000 term loan facility with a bank which has a term of 36 months commencing from the date of initial drawdown.

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

- (i) CMSK ceases to beneficially own (directly or indirectly) at least 40% of the issued share capital of the Company;
- (ii) CMSK ceases to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company;



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

- (iii) the shares of CMSK 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) China Merchants Group Limited (“CMG”) ceases to be the single largest shareholder of CMSK (beneficially owned, directly or indirectly, the largest proportionate shareholding or ownership interest in CMSK from time to time) and ceases to beneficially own, directly or indirectly, at least 40% of the entire shareholding or ownership interest in CMSK; or
- (v) 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.

The loan agreements dated 31 December 2014 and 31 May 2016 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, or its equivalent in other currencies 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 31 December 2014 and 31 May 2016 respectively.

As at 30 June 2016, the aggregate outstanding principal of loans owed by the Group under the above loan agreements were US\$100,000,000 and RMB640,000,000.

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 2016.

During the six months ended 30 June 2016, 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.



CORPORATE GOVERNANCE CODE (CONTINUED)

Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Mr. Xu Yongjun and Mr. Yan Chengda, both are non-executive Directors and Mr. He Qi, an independent non-executive Director, did not attend the annual general meeting of the Company held on 26 April 2016 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. Xu Yongjun, chairman of the Board, could not attend the annual general meeting held on 26 April 2016 due to other business engagement which was a deviation from Code Provision E.1.2. However, he has appointed Mr. Huang Junlong, a non-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 2016

	Notes	Six months ended 30 June	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Revenue	4	3,333,401	1,395,012
Cost of sales		(2,623,662)	(798,879)
Gross profit		709,739	596,133
Other income		61,168	22,587
Net foreign exchange (losses) gains		(54,496)	40,218
Selling and marketing expenses		(101,577)	(76,504)
Administrative expenses		(53,352)	(40,350)
Fair value loss on derivative financial instruments, net	16	(32,686)	–
Share of losses of associates		(1,731)	(5,195)
Share of losses of joint ventures		(5,468)	–
Finance costs	5	(97,250)	(84,051)
Profit before tax	7	424,347	452,838
Income tax expense	6	(213,021)	(311,677)
Profit for the period		211,326	141,161
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		7,194	187
Profit and total comprehensive income for the period		218,520	141,348
Profit for the period attributable to:			
Owners of the Company		50,501	130,684
Non-controlling interests		160,825	10,477
		211,326	141,161
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		57,695	130,871
Non-controlling interests		160,825	10,477
		218,520	141,348
Earnings per share			
Basic (RMB cents)	9	1.03	2.66
Diluted (RMB cents)	9	1.03	2.66

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		34,716	36,185
Investment properties		21,301	21,759
Goodwill		160,210	160,210
Interests in associates		235,284	237,015
Interests in joint ventures	10	117,505	8,404
Deferred tax assets	15	337,804	370,236
Derivative component of convertible bonds	16	134,632	168,570
		1,041,452	1,002,379
CURRENT ASSETS			
Properties for sale		29,993,632	29,323,044
Deposit paid for acquisitions of land use rights	11	2,410,124	–
Trade and other receivables	12	5,226,161	4,653,618
Tax recoverable		219,897	187,337
Bank balances and cash		4,742,681	3,697,337
		42,592,495	37,861,336
CURRENT LIABILITIES			
Deposits received in respect of pre-sale of properties		12,735,989	9,688,696
Trade and other payables	13	6,009,912	5,243,279
Loans from equity holders		759,320	1,818,105
Tax payable		186,478	316,777
Bank and other borrowings	14	1,355,682	1,105,202
		21,047,381	18,172,059
NET CURRENT ASSETS		21,545,114	19,689,277



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		22,586,566	20,691,656
NON-CURRENT LIABILITIES			
Loans from equity holders		877,436	682,251
Bank and other borrowings	14	4,491,170	3,451,416
Bonds payable		3,292,076	3,206,939
Convertible bonds	16	1,602,098	1,533,339
Derivative component of convertible bonds	16	69,882	72,675
Deferred tax liabilities	15	73,043	59,946
		10,405,705	9,006,566
NET ASSETS		12,180,861	11,685,090
CAPITAL AND RESERVES			
Share capital	17	39,132	39,132
Reserves		5,177,145	5,139,064
Equity attributable to owners of the Company		5,216,277	5,178,196
Non-controlling interests		6,964,584	6,506,894
TOTAL EQUITY		12,180,861	11,685,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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 bonds equity reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (audited)	39,132	6,180,826	(2,402,195)	(958,955)	-	3,085	1,730,003	4,591,896	6,332,821	10,924,717
Profit for the period	-	-	-	-	-	-	130,684	130,684	10,477	141,161
Other comprehensive income for the period:										
- Exchange differences arising on translating of foreign operations	-	-	-	-	-	187	-	187	-	187
Profit and total comprehensive income for the period	-	-	-	-	-	187	130,684	130,871	10,477	141,348
Recognition of equity component of convertible bonds (note 16)	-	-	-	-	414,329	-	-	414,329	-	414,329
Dividend declared (note 8)	-	(38,854)	-	-	-	-	-	(38,854)	-	(38,854)
At 30 June 2015 (unaudited)	39,132	6,141,972	(2,402,195)	(958,955)	414,329	3,272	1,860,687	5,098,242	6,343,298	11,441,540
At 1 January 2016 (audited)	39,132	6,141,972	(2,402,195)	(957,977)	414,329	27,516	1,915,419	5,178,196	6,506,894	11,685,090
Profit for the period	-	-	-	-	-	-	50,501	50,501	160,825	211,326
Other comprehensive income for the period:										
- Exchange differences arising on translating of foreign operations	-	-	-	-	-	7,194	-	7,194	-	7,194
Profit and total comprehensive income for the period	-	-	-	-	-	7,194	50,501	57,695	160,825	218,520
Deemed disposal of a wholly owned subsidiary without change of control	-	-	-	824	-	-	-	824	(824)	-
Capital injection from non-controlling equity holders	-	-	-	-	-	-	-	-	20,000	20,000
Acquisition of non-wholly owned subsidiaries accounted for as assets acquisition (note 19)	-	-	-	-	-	-	-	-	291,372	291,372
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	6,000	6,000
Dividend declared (note 8)	-	(20,438)	-	-	-	-	-	(20,438)	(19,683)	(40,121)
At 30 June 2016 (unaudited)	39,132	6,121,534	(2,402,195)	(957,153)	414,329	34,710	1,965,920	5,216,277	6,964,584	12,180,861

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Net cash from operating activities	808,606	536,133
Investing activities		
Advance to non-controlling equity holders of subsidiaries of the Group	(777,602)	–
Net cash outflow from acquisition of non wholly-owned subsidiaries accounted for as assets acquisition	(359,968)	–
Advance to associates	(119,238)	(745,790)
Advance to joint ventures	(15,300)	–
Purchase of property, plant and equipment	(1,012)	(1,287)
Repayment from associates	265,451	–
Repayment from joint ventures	199,091	–
Repayment from non-controlling equity holders of subsidiaries of the Group	19,683	–
Investments in associates	–	(156,730)
Interest income received from associates	–	5,196
Proceeds received on disposal of property, plant and equipment	–	1
Net cash used in investing activities	(788,895)	(898,610)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Financing activities		
Repayment to an intermediate holding company	(762,253)	(62,890)
Repayment to non-controlling equity holders of subsidiaries of the Group	(432,922)	–
Bank and other borrowings repaid	(428,506)	(620,860)
Interest paid	(236,977)	(239,926)
Dividend paid	(40,121)	(38,854)
New bank and other borrowings raised	1,710,560	1,950,672
Advance from non-controlling equity holders of subsidiaries of the Group	1,182,500	–
Capital contributions by non-controlling equity holders of subsidiaries of the Group	20,000	–
Contribution by non-controlling interests upon incorporation of a subsidiary	6,000	–
Settlement of consideration for acquisition of additional interest in a non wholly-owned subsidiary	–	(1,212,767)
Expenses on issue of convertible bonds	–	(35,982)
Proceeds from issue of convertible bonds	–	1,772,450
Net cash from financing activities	1,018,281	1,511,843
Net increase in cash and cash equivalents	1,037,992	1,149,366
Cash and cash equivalents at the beginning of the period	3,696,837	4,180,956
Effect of changes in foreign exchange rate	7,852	27,719
Cash and cash equivalents at the end of the period, represented by bank balances and cash	4,742,681	5,358,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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.

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.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 (the “2015 Financial Statements”).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****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 standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of the new HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial information.

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 (“CODM”) in order to allocate resources to segments and to assess their performance. The CODM is the Company’s executive directors.

For the management purpose, the Group is 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”).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 2016 (unaudited)			
Segment revenue – external customers	-	3,333,401	3,333,401
Segment results	(73)	587,971	587,898
Net foreign exchange losses			(54,771)
Unallocated finance costs			(63,599)
Interest income			887
Fair value loss on derivative financial instruments, net			(32,686)
Unallocated corporate expenses			(13,382)
Profit before tax			424,347

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2015 (unaudited)			
Segment revenue – external customers	–	1,395,012	1,395,012
Segment results	69	479,907	479,976
Net foreign exchange gains			24,610
Unallocated finance costs			(48,620)
Interest income			6,921
Unallocated corporate expenses			(10,049)
Profit before tax			452,838

There were no inter-segment sales for both periods.

Segment results represent the profit earned by each segment without allocation of unallocated corporate expenses, fair value loss on derivative financial instruments, net, certain finance costs, certain interest income and certain net foreign exchange (losses) gains. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Certain comparative figures in the segment information for the period ended 30 June 2015 has been reclassified to conform with the presentation of the 2015 Financial Statements. Previously, share of results of associates were not allocated to the Properties Segment. For the period ended 30 June 2016, share of results of associates was reclassified and reported under "Properties Segment" as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been reclassified accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000
Interest on:		
– bank and other borrowings	102,665	199,271
– loans from an intermediate holding company	14,532	–
– loans from non-controlling equity holders of subsidiaries of the Group	56,431	18,165
– bonds	81,891	77,428
– convertible bonds (note 16)	40,480	4,270
Total borrowing costs	295,999	299,134
Less: Amount capitalised in the cost of qualifying assets	(198,749)	(215,083)
	97,250	84,051

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000
The charge comprises:		
PRC Enterprise Income Tax		
– Current period	93,071	139,247
Land appreciation tax (“LAT”)	74,421	177,296
	167,492	316,543
Deferred tax (note 15)	45,529	(4,866)
	213,021	311,677

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 People's Republic of China (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	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	70,330	65,641
Pension scheme contributions	15,256	12,998
Total staff costs	85,586	78,639
Less: Amount capitalised to properties for sale	(45,703)	(34,092)
	39,883	44,547
Gross rental income from investment properties	(1,967)	(2,132)
Less: Direct operating expenses incurred	786	548
	(1,181)	(1,584)
Cost of properties for sale recognised as an expense	2,623,662	798,879
Depreciation of property, plant and equipment	2,609	1,902
Depreciation of investment properties	458	168

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8. DIVIDEND

During the current period, a final dividend of HK\$0.005 (2015: HK\$0.01) per ordinary share in respect of the year ended 31 December 2015 was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from the share premium of the Company and paid during the current period amounted to approximately RMB20,438,000 (2015: RMB38,854,000).

During the period ended 30 June 2016, a subsidiary of the Group declared dividends of approximately RMB39,366,000 to its shareholders, of which approximately RMB19,683,000 was paid to its non-controlling equity holders.

No interim dividend was paid, declared or proposed during the six months ended 30 June 2016, nor has any dividend been proposed since the end of the interim reporting period (2015: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of approximately RMB50,501,000 (2015: RMB130,684,000) and the weighted average number of 4,905,257,860 (2015: 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 outstanding convertible bonds since their conversion would result in an increase in earnings per share.

10. INTERESTS IN JOINT VENTURES

	At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
Costs of investments in joint ventures	129,823	15,254
Share of post-acquisition results	(12,318)	(6,850)
	117,505	8,404

During the six months ended 30 June 2016, the Group further injected capital of RMB114,569,000 into a joint venture, 南京奥建置业有限公司 (“南京奥建”). As a result, the registered capital of 南京奥建 increased from RMB100,000,000 to RMB2,000,000,000 without change in proportionate shareholding held by the Group in 南京奥建.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11. DEPOSIT PAID FOR ACQUISITIONS OF LAND USE RIGHTS

On 18 March 2016, 招商局地產(南京)有限公司 (Merchants Nanjing Real Estate Co., Ltd.) (“Merchants Nanjing”), a non-wholly owned subsidiary of the Company, obtained the land transfer confirmation for the land use right of the land parcel in Nanjing City, Jiangsu Province, the People’s Republic of China (the “PRC”) for a total consideration of RMB4,820,000,000. The land is designated for commercial and residential usage. As at 30 June 2016, the Group has paid RMB2,410,124,000 as a deposit.

On 30 June 2016, Merchants Nanjing, entered into an agreement (the “Nanjing 2016G01 Land Cooperation Agreement”) with 南京仁遠投資有限公司 (Nanjing Renyuan Investment Co., Ltd.) (“Nanjing Renyuan”) and 保利江蘇房地產發展有限公司 (Poly Jiangsu Real Estate Development Co., Ltd.) (“Poly Jiangsu”) both of which are independent third parties to the Company. Pursuant to the agreement, among other things, a company (the “Project Company”) will be set up in the PRC specifically to engage in the development of the Nanjing 2016G01 Land. Upon the establishment of the Project Company, Merchants Nanjing will apply to the relevant governmental authorities of Nanjing for the transfer of the land use rights of the Nanjing 2016G01 Land to the Project Company. Upon completion of the transfer of the land use rights, the Project Company shall have a registered capital of RMB1,500 million and held as to 36% by Merchants Nanjing, 33% by Nanjing Renyuan and 31% by Poly Jiangsu. Approximately 50% of the land consideration has been paid by Merchants Nanjing to the relevant government department of Nanjing City. Part of this payment will become its loan and/or capital contributions to the Project Company and the remaining part will be refunded by Nanjing Renyuan and Poly Jiangsu to Merchants Nanjing. Further details of which are set out in the Company’s announcement dated 30 June 2016.

12. 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:

	At 30 June 2016 (unaudited) RMB’000	At 31 December 2015 (audited) RMB’000
Over 90 days	2,329	2,909



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13. 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:

	At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
0 to 60 days	873,874	1,547,008
61 to 180 days	705,161	305,730
181 to 365 days	356,951	323,775
Over 365 days	279,051	215,540
	2,215,037	2,392,053

14. BANK AND OTHER BORROWINGS

The Group's bank and other borrowings were subject to variable-rate interest at London Interbank Offered Rate ("LIBOR") + 2.1% or variable-rate or fixed-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China at the respective date of borrowings' agreements. The effective interest rate on the Group's bank and other borrowings were ranged from 2.25% to 6.6% per annum (2015: 1.99% to 7.07% per annum).

At 30 June 2016, properties for sale located in Chongqing and Guangzhou with total carrying values of approximately RMB1,383,544,000 (2015: RMB699,290,000) have been pledged to secure bank borrowings amounting to RMB641,830,000 in total (2015: RMB187,800,000) granted to the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15. DEFERRED TAXATION

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

	At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
Deferred tax assets	337,804	370,236
Deferred tax liabilities	(73,043)	(59,946)
	264,761	310,290

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 2015 (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
At 30 June 2015 (unaudited)	292,577	97,708	(45,406)	(1,143)	343,736
At 1 January 2016 (audited)	269,467	100,769	(58,663)	(1,283)	310,290
(Charge) credit to profit or loss (note 6)	(36,834)	4,402	(11,797)	(1,300)	(45,529)
At 30 June 2016 (unaudited)	232,633	105,171	(70,460)	(2,583)	264,761

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**16. CONVERTIBLE BONDS**

On 23 June 2015, the Company's wholly owned subsidiary, Cosmos Boom Investment Limited ("Cosmos") issued 0.50% convertible bonds ("CBs") which were due on 23 June 2020 with an aggregate principal amount of US\$290,000,000. The CBs 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 with fixed exchange rate of HK\$7.7559 equal to US\$1.00 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 Cosmos 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 Cosmos at its principal amount outstanding on maturity date plus accrued interest. Cosmos 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 CBs 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 CBs on 23 June 2018 afterwards at their principal amount together with accrued and unpaid interest to the respective dates fixed for redemption.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. CONVERTIBLE BONDS (CONTINUED)

The movements of the liability, equity and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs RMB'000	Derivative financial assets of CBs RMB'000	Derivative financial liabilities of CBs RMB'000	Equity component of CBs RMB'000	Total RMB'000
As at 1 January 2015 (audited)	–	–	–	–	–
Issued during the period	1,434,233	(144,794)	61,324	421,687	1,772,450
Transaction cost	(25,027)	–	–	(7,358)	(32,385)
Imputed interest expense (note 5)	4,270	–	–	–	4,270
Exchange translation	(16,529)	(40)	17	–	(16,552)
As at 30 June 2015 (unaudited)	1,396,947	(144,834)	61,341	414,329	1,727,783
As at 1 January 2016 (audited)	1,533,339	(168,570)	72,675	414,329	1,851,773
Changes in fair value	–	36,955	(4,269)	–	32,686
Imputed interest expense (note 5)	40,480	–	–	–	40,480
Interest paid	(4,738)	–	–	–	(4,738)
Exchange translation	33,017	(3,017)	1,476	–	31,476
As at 30 June 2016 (unaudited)	1,602,098	(134,632)	69,882	414,329	1,951,677

No CBs were converted into ordinary shares of the Company during the six months ended 30 June 2016 and 2015. No redemption, purchase or cancellation by the Company or Cosmos has been made in respect of the CBs during the six months ended 30 June 2016 and 2015. As at 30 June 2016 and as at 31 December 2015, the principal amount of the CBs that remained outstanding amounted to US\$290,000,000 of which a maximum amount of 752,873,974 shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. CONVERTIBLE BONDS (CONTINUED)

At 30 June 2016 and at 31 December 2015, the fair values of the derivative financial assets and liabilities were valued by the Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer, not connected with the Group. The fair values of the derivative financial instruments were estimated at the end of reporting period using the Binomial model. The changes in fair value of derivative financial instruments were recognised in the consolidated statement of profit or loss. The inputs into the model were as follows:

	At 30 June 2016 (unaudited)	At 31 December 2015 (audited)
Share price	HK\$1.09	HK\$1.56
Conversion price	HK\$2.9875	HK\$2.9875
Expected volatility	63%	65%
Expected life	1,455 days	1,637 days
Risk free rate	0.85%	1.64%
Expected dividend yield	0.69%	1.00%

17. SHARE CAPITAL**Ordinary share capital of the Company**

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	30,000,000,000	300,000

	Number of shares	Equivalent to	
		HK\$'000	RMB'000
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 30 June 2016	4,905,257,860	49,053	39,132



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Except as set out below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities as at 30 June 2016 and 31 December 2015 recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

	Carrying amount RMB'000	Fair value RMB'000
Financial liability – level 2 Fair value hierarchy Other financial liability – Bonds payable		
As at 30 June 2016 (unaudited)	3,292,076	3,457,143
As at 31 December 2015 (audited)	3,206,939	3,353,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2016 and 31 December 2015, the only financial instrument measured at fair value was the derivative component of convertible bonds which belongs to level 3 financial instruments.

Financial instrument	Fair value as at		Fair value hierarchy	Significant or unobservable and key inputs
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)		
Derivative component of convertible bonds – Financial assets	134,632	168,570	Level 3	Valuation technique: Binomial method Key observable inputs: Risk-free rate 0.85% (2015: 1.64%) Effective interest rate 5.196% p.a. (2015: 5.196% p.a.) Key unobservable inputs: Volatility 63% (2015: 65%)
Derivative component of convertible bonds – Financial liabilities	(69,882)	(72,675)	Level 3	Valuation technique: Binomial method Key observable inputs: Risk-free rate 0.85% (2015: 1.64%) Effective interest rate 5.196% p.a. (2015: 5.196% p.a.) Key unobservable inputs: Volatility 63% (2015: 65%)

Note (j): A 20% (31 December 2015: 10%) increase in the volatility with all other variables constant would increase the fair value of the derivative financial assets of the convertible bonds and decrease the fair value of the derivative financial liabilities of the convertible bonds at 30 June 2016 by approximately RMB20,313,000 (31 December 2015: decrease RMB2,924,000) and RMB7,447,000 (31 December 2015: increase RMB574,000), respectively.

There were no transfers between levels of fair value hierarchy in the current and prior periods. Please refer to note 16 for the reconciliation of Level 3 fair value measurement.

The fair values of other financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 15 April 2016, the Group completed the subscription of the 60% equity interests of Poly Field International Investments Limited (“Poly Field”) from an independent third party for a cash consideration of RMB437,058,300. Poly Field owns 100% equity interest of a company incorporated in the PRC specifically for the construction and development of the real estate project in Guangzhou, the PRC. The directors of the Company are of the opinion that the acquisition of Poly Field is in substance an asset acquisition instead of a business combination, as the net assets of Poly Field was mainly properties for sale under development and Poly Field was inactive prior to the acquisition by the Group.

Net assets of Poly Field acquired:

	RMB'000
Plant and equipment	2
Properties for sale under development	655,789
Bank balances and cash	77,090
Other payables	(4,451)
	<hr/>
	728,430
Non-controlling interests	(291,372)
	<hr/>
	437,058
Satisfied by:	
Cash consideration	437,058
	<hr/>
Net cash outflow arising from acquisition	
Cash paid	(437,058)
Less: Bank balances and cash acquired	77,090
	<hr/>
	(359,968)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20. CONTINGENT LIABILITIES

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

	At 30 June 2016 (unaudited) RMB'000	At 31 December 2015 (audited) RMB'000
Guarantee given to banks in connection with facilities granted to their customers (<i>note i</i>)	4,041,042	2,462,554
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.

21. 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	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Fellow subsidiaries	Property management fee paid (<i>note</i>)	60,396	41,391
	Operational support service income (<i>note</i>)	3,639	6,855
Associate of ultimate holding company	Finance costs	30,055	23,244
	Bank interest income	11,198	10,593

Note: These transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. The Company had complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to all connected transactions entered into during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

As at 30 June 2016, approximately RMB3,046,734,000 (31 December 2015: RMB2,565,106,000) was deposited at China Merchants Bank (“CMB”) which is an associate of China Merchants Group Limited, the ultimate holding company of the Company. Approximately RMB1,458,690,000 (31 December 2015: RMB1,067,800,000) are bank borrowings from CMB as at 30 June 2016.

(c) Compensation of key management personnel

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Short-term employee benefits	2,714	3,224
Post-employment benefits	396	104
	3,110	3,328

(d) Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under China Merchants Group Limited (“CMG”) which is controlled by the PRC government. Thus, the directors of the Company consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“PRC government-related entities”). Apart from the transactions with the intermediate holding company and the fellow subsidiaries set out in (a) and (b) above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group’s bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. In view of the nature of those transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful.

(e) Management services

The Group’s activities were planned, directed and controlled by the management of China Merchants Shekou Industrial Zone Holdings Co., Ltd, intermediate holding company of the Company, which did not charge any fee for services rendered during both periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**22. EVENT AFTER THE REPORTING PERIOD**

On 18 August 2016, the Company and China Merchants Properties Development Limited (the "Seller"), a fellow subsidiary of CMSK, entered into (i) the sale and purchase agreement, pursuant to which, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital and shareholder's loan of Coming Wealth Limited, a wholly-owned subsidiary of the Seller, for a total cash consideration of approximately HK\$505 million (subject to adjustment but capped at HK\$506 million); and (ii) the sale and purchase agreement, pursuant to which, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire share capital and shareholder's loan of Cheuk Tat Development Limited, a wholly-owned subsidiary of the Seller, for a total cash consideration of approximately HK\$608 million (subject to adjustment but capped at HK\$609 million). Further details of these agreements are set out in the Company's announcement dated 18 August 2016.





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