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

CHINA MERCHANTS LAND LIMITED

招商局置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board (the "Board") of directors (the "Directors") of China Merchants Land Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the period from 1 January 2015 to 30 June 2015 together with the comparative figures for the period from 1 January 2014 to 30 June 2014 as follows:

**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	1,395,012	3,496,954
Cost of sales		(798,879)	(2,609,486)
Gross profit		596,133	887,468
Other income		22,587	26,141
Net foreign exchange gains		40,218	16,937
Selling and marketing expenses		(76,504)	(35,676)
Administrative expenses		(40,350)	(38,763)
Share of loss of associates		(5,195)	–
Finance costs	5	(84,051)	(127,409)
Profit before tax	7	452,838	728,698
Income tax expense	6	(311,677)	(395,362)
Profit for the period		141,161	333,336

		Six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
<i>Note</i>		RMB'000	RMB'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
	Exchange differences arising on translation	187	–
	Profit and total comprehensive income for the period	141,348	333,336
	Profit for the period attributable to:		
	Owners of the Company	130,684	61,021
	Non-controlling interests	10,477	272,315
		141,161	333,336
	Profit and total comprehensive income for the period attributable to:		
	Owners of the Company	130,871	61,021
	Non-controlling interests	10,477	272,315
		141,348	333,336
	Earnings per share		
	Basic (RMB cents)	2.66	1.24
9			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
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		390,285	374,386
Derivative component of convertible bonds	13	144,834	–
Other receivables		745,791	–
		<u>1,650,920</u>	<u>594,145</u>
CURRENT ASSETS			
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
		<u>37,311,711</u>	<u>33,005,777</u>
CURRENT LIABILITIES			
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		3,583,680	924,950
		<u>19,186,475</u>	<u>14,801,922</u>
NET CURRENT ASSETS		<u>18,125,236</u>	<u>18,203,855</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,776,156</u>	<u>18,798,000</u>

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

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.

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.

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.

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. Transactions 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.

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
For the six months ended 30 June 2015 (unaudited)			
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
	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2014 (unaudited)			
Segment revenue – external	–	3,496,954	3,496,954
Segment results	(730)	780,411	779,681
Net foreign exchange gains			1,894
Unallocated finance costs			(61,772)
Interest income			12,369
Unallocated corporate expenses			(3,474)
Profit before tax			728,698

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 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.

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	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	–
	<hr/>	<hr/>
Total borrowing costs	299,134	244,129
Less: Amount capitalised in the cost of qualifying assets	(215,083)	(116,720)
	<hr/>	<hr/>
	84,051	127,409
	<hr/>	<hr/>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax		
– Current period	139,247	159,307
Land appreciation tax (“LAT”)	177,296	202,932
	<hr/>	<hr/>
	316,543	362,239
Deferred tax	(4,866)	33,123
	<hr/>	<hr/>
	311,677	395,362
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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	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	65,641	32,924
Pension scheme contributions	12,998	5,439
	<hr/>	<hr/>
Total staff costs	78,639	38,363
Less: Amount capitalised to properties for sale	(34,092)	(17,031)
	<hr/>	<hr/>
	44,547	21,332
	<hr/>	<hr/>
Gross rental income from investment properties	(2,132)	(1,706)
Less: Direct operating expenses incurred	548	250
	<hr/>	<hr/>
	(1,584)	(1,456)
	<hr/>	<hr/>
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
	<hr/>	<hr/>

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	156,730	–
Share of post-acquisition losses	(5,195)	–
	<u>151,535</u>	<u>–</u>

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:

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

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:

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

13. 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.

14. ISSUED EQUITY

Ordinary share capital of the Company

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

15. 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.

(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).

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

- (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.

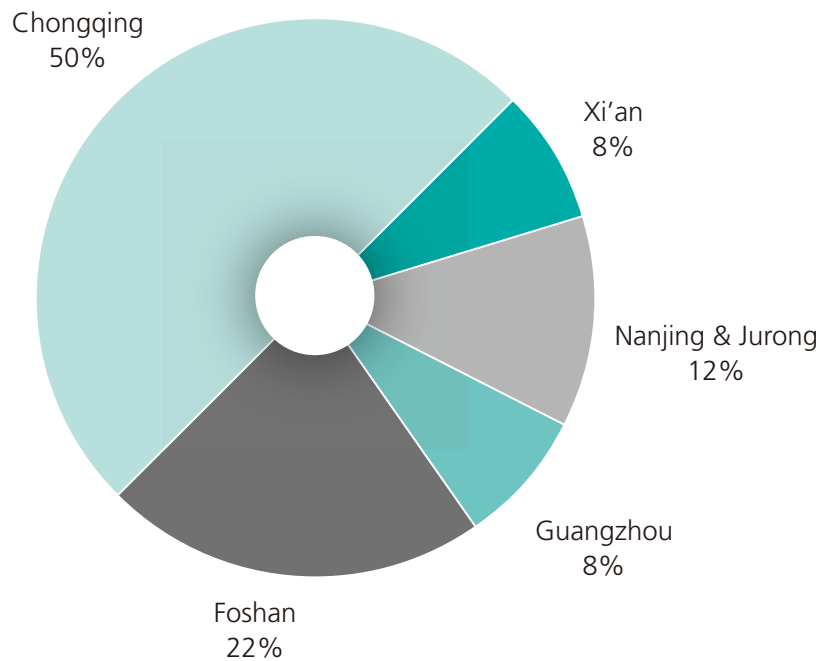
BUSINESS REVIEW

Property Development Business

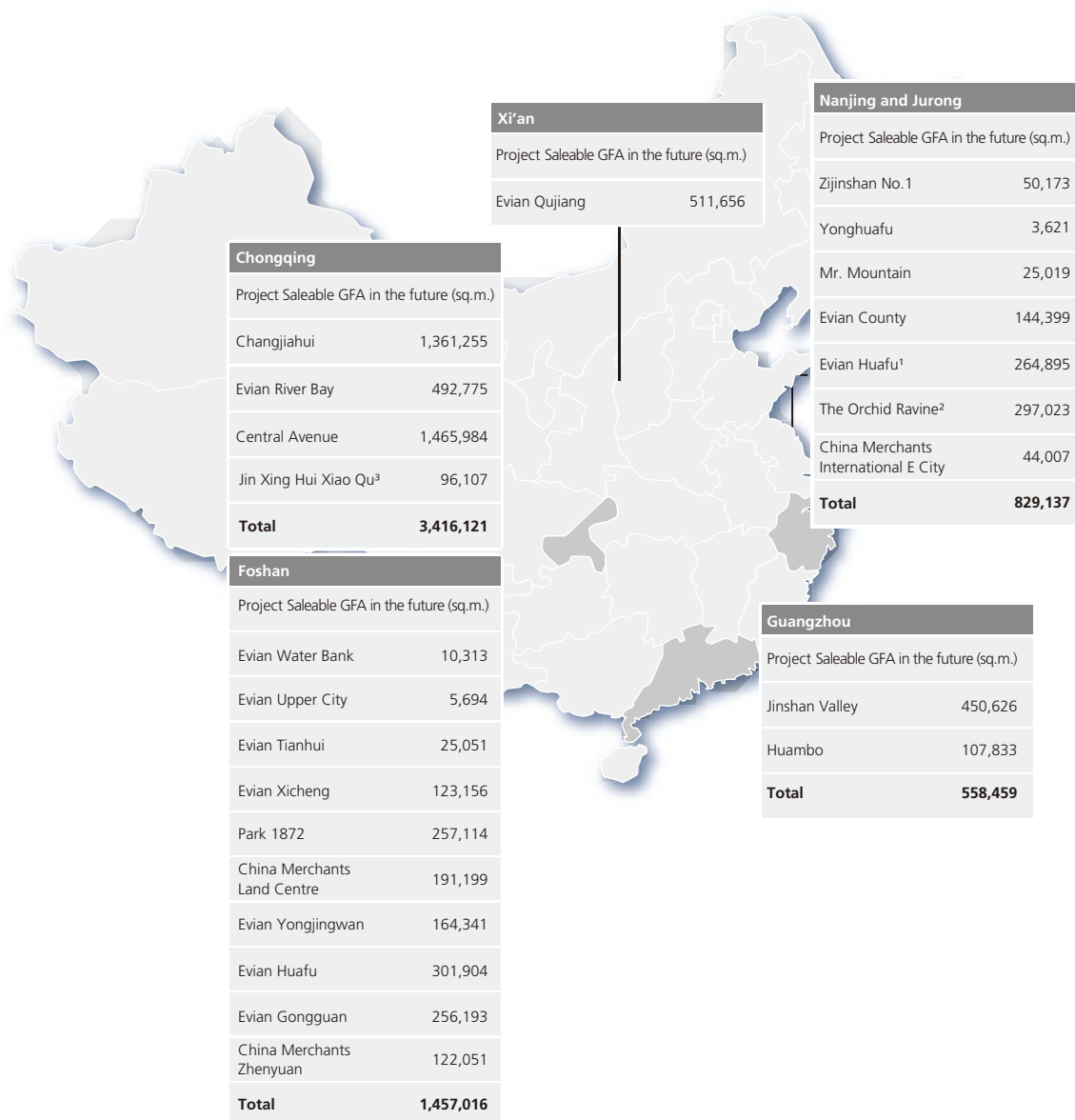
As at 30 June 2015, the Group's portfolio of property development projects consisted of 24 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including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



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



¹ formerly known as G16

² formerly known as G74

³ formerly known as Guanyinqiao

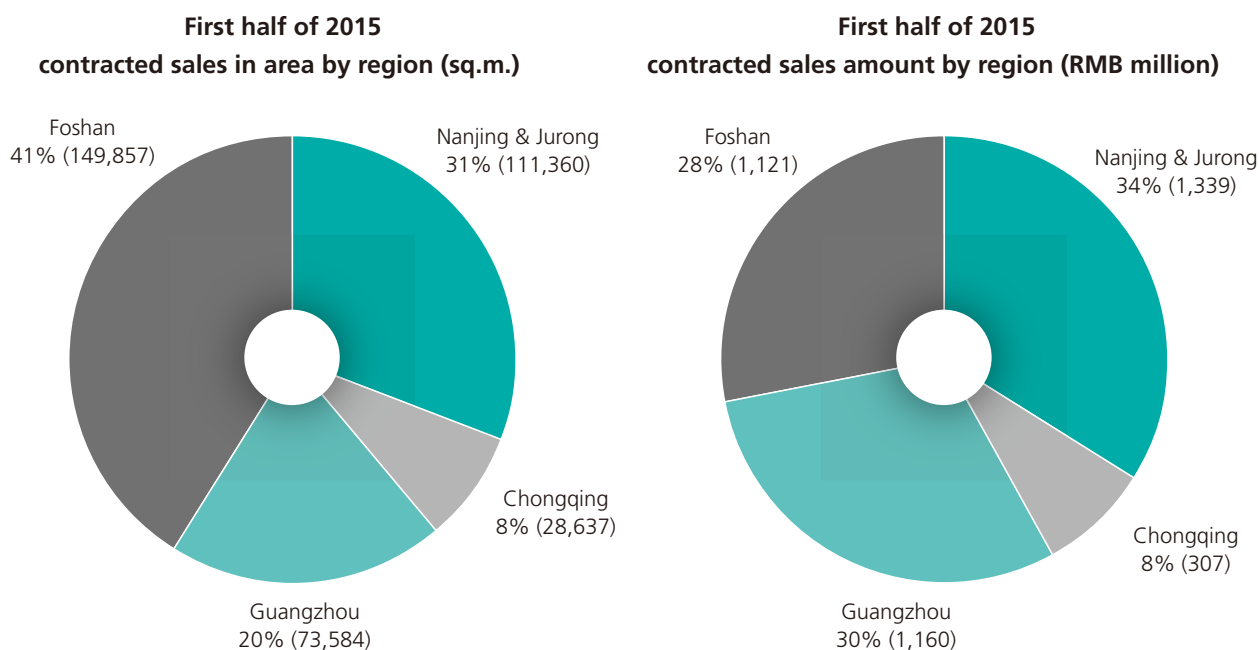
The table below details the Group's property development projects as at 30 June 2015 which (i) had been completed, (ii) were under development, or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

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/rentable (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/rentable (sq.m.)	Of which pre-sold (sq.m.)	Total GFA saleable (sq.m.)
Foshan												
Evian Water Bank	50.00%	655,716	10,313	655,716	599,479	586,522	2,644	10,313	-	-	-	-
Evian Upper City	50.00%	357,383	5,694	357,383	319,984	309,752	4,538	5,694	-	-	-	-
Evian Tianhui	50.00%	301,818	25,051	301,818	291,679	260,915	5,713	25,051	-	-	-	-
Evian Xicheng	50.00%	438,393	123,156	206,276	195,634	179,635	3,764	12,235	232,117	214,681	103,760	-
Park 1872	100.00%	302,855	257,114	-	-	-	-	-	302,855	268,612	11,498	-
China Merchants Land Centre	51.00%	222,684	191,199	-	-	-	-	-	222,684	196,381	5,182	-
Evian Yongjingwan	50.00%	233,852	164,341	-	-	-	-	-	233,852	208,231	43,890	-
Evian Huaifu	50.00%	379,563	301,904	-	-	-	-	-	255,622	242,519	52,673	112,058
Evian Gongguan	55.00%	317,111	256,193	-	-	-	-	-	238,096	231,229	51,868	76,832
China Merchants Zhenyuan	50.00%	125,750	122,051	-	-	-	-	-	-	-	-	122,051
Foshan subtotal		3,335,125	1,457,016	1,521,193	1,406,776	1,336,824	16,659	53,293	1,485,226	1,361,653	268,871	310,941
Guangzhou												
Jinshan Valley	100.00%	1,340,638	450,626	623,348	504,347	427,473	11,181	65,693	336,514	267,985	183,067	300,015
Huambo	51.00%	125,945	107,833	-	-	-	-	-	125,945	107,833	-	-
Guangzhou subtotal		1,466,583	558,459	623,348	504,347	427,473	11,181	65,693	462,459	375,818	183,067	300,015
Chongqing												
Changjiathui	50.00%	1,895,748	1,361,255	233,585	224,678	191,638	3,660	29,380	202,095	189,261	12,141	1,460,068
Evian River Bay	100.00%	535,810	492,775	-	-	-	-	-	167,590	143,838	15,483	368,220
Central Avenue	50.00%	1,550,496	1,465,984	-	-	-	-	-	100,485	99,273	53,070	1,450,011
Jin Xing Hui Xiao Qiu	100.00%	98,574	96,107	-	-	-	-	-	-	-	-	98,574
Chongqing subtotal		4,080,628	3,416,121	233,585	224,678	191,638	3,660	29,380	470,170	432,372	80,694	3,376,873

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 and delivered (sq.m.)	Of which pre-sold but not yet delivered (sq.m.)	Of which not pre-sold/ held for investment (sq.m.)	GFA under development (sq.m.)	Total GFA saleable (sq.m.)	Total GFA pre-sold (sq.m.)	Total GFA saleable (sq.m.)
Nanjing & Jurong												
Zijinshan No.1	51.00%	213,870	50,173	213,870	145,376	91,848	3,355	50,173	-	-	-	-
Yonghuafu	51.00%	179,854	3,621	91,306	78,834	-	78,078	756	88,548	72,882	70,017	-
Mr. Mountain	26.01%	74,573	25,019	-	-	-	-	-	74,573	64,495	39,476	-
Evian County	26.01%	212,974	144,399	-	-	-	-	-	102,365	94,055	44,107	94,451
Evian Huafu	51.00%	358,831	264,895	-	-	-	-	-	141,638	112,784	11,428	163,539
The Orchid Ravine	51.00%	349,603	297,023	-	-	-	-	-	92,280	81,287	-	215,736
China Merchants International E City	70.00%	131,308	44,007	-	-	-	-	-	82,592	82,592	75,672	37,087
Nanjing & Jurong subtotal		1,521,013	829,137	305,176	224,210	91,848	81,433	50,929	581,996	508,095	240,700	510,813
Xi'an												
Evian Quijiang	100.00%	536,288	511,656	-	-	-	-	-	240,104	239,320	-	272,336
Xi'an subtotal		536,288	511,656	-	-	-	-	-	240,104	239,320	-	272,336
Total		10,939,637	6,772,389	2,683,302	2,360,011	2,047,783	112,933	199,295	3,239,955	2,917,258	773,332	4,429,168

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.

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 USD 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 USD500,000,000 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 USD 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 USD.

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, USD and HKD. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities. As the Convertible Bonds and the Bond were denominated in USD, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and USD exchange rates and might consider hedging should the need arises.

NON-COMPETITION DEED

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

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.

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.

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.

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;
- 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.

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.

On behalf of the Board

Mr. He Jianya

Chairman

Hong Kong, 11 August 2015

As at the date of this announcement, the Board comprises , Dr. So Shu Fai, Mr. Xian Yaoqiang, Mr. Liu Zhuogen and Mr. Yu Zhiliang as executive Directors; Mr. He Jianya, Ms. Wu Zhenqin and Ms. Liu Ning as non-executive Directors; and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping, Dr. Shi Xinping and Mr. He Qi and as independent non-executive Directors.