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

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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 2018

The board (the "Board") of directors (the "Directors") of China Merchants Land Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the period from 1 January 2018 to 30 June 2018 together with the comparative figures for the period from 1 January 2017 to 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(unaudited)	(unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**3,248,598**	4,872,150
Cost of sales		**(1,827,827)**	(3,755,387)
Gross profit		**1,420,771**	1,116,763
Other income		**102,924**	100,148
Net foreign exchange (losses) gains		**(43,556)**	76,878
Selling and marketing expenses		**(117,352)**	(118,759)
Administrative expenses		**(70,032)**	(53,887)
Fair value changes on derivative financial instruments		**(21,013)**	27,057
Share of (losses) profits of associates		**(7,947)**	147,158
Share of profits (losses) of joint ventures		**376,039**	(4,998)
Finance costs	*6*	**(237,848)**	(161,738)

	Notes	Six months ended 30 June **2018** **(unaudited)** ***RMB'000***	2017 (unaudited) *RMB'000*
Profit before tax		**1,401,986**	1,128,622
Income tax expense	*7*	**(592,284)**	(457,231)
Profit for the period	*8*	**809,702**	671,391
Other comprehensive income (expenses), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**866**	(4,675)
Profit and total comprehensive income for the period		**810,568**	666,716
Profit for the period attributable to:			
Owners of the Company		**427,087**	287,821
Non-controlling interests		**382,615**	383,570
		809,702	671,391
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**427,953**	283,146
Non-controlling interests		**382,615**	383,570
		810,568	666,716
Earnings per share			
Basic (RMB cents)	*10*	**8.71**	5.87
Diluted (RMB cents)	*10*	**8.71**	5.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	At 30 June 2018 (unaudited) RMB'000	At 31 December 2017 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**152,056**	136,888
Investment properties		**1,730,392**	1,183,563
Goodwill		**160,210**	160,210
Interests in associates		**322,417**	330,364
Interests in joint ventures		**1,829,553**	1,453,514
Available-for-sale investment		**–**	18,750
Financial asset at fair value through profit and loss		**18,750**	–
Deferred tax assets		**735,483**	670,831
Deposit paid for acquisitions of investments		**1,382,001**	–
Other receivables	*11*	**5,301,190**	–
		11,632,052	3,954,120
CURRENT ASSETS			
Properties under development and for sale		**38,761,442**	33,293,771
Deposit paid for acquisitions of land use rights		**474,015**	1,115,000
Trade and other receivables	*11*	**8,189,087**	14,030,234
Prepaid tax		**614,033**	240,241
Derivative component of convertible bonds		**5,872**	83,254
Bank balances and cash		**5,831,549**	5,100,692
		53,875,998	53,863,192
CURRENT LIABILITIES			
Deposits received in respect of pre-sale of properties		**–**	7,272,992
Contract liabilities		**10,889,858**	–
Trade and other payables	*12*	**12,854,625**	12,257,572
Loans from equity holders	*13*	**5,108,546**	4,078,935
Tax payable		**463,913**	971,876
Bank and other borrowings	*14*	**1,567,930**	1,773,095
Bonds payable		**3,289,756**	3,231,826
Convertible bonds	*15*	**–**	1,691,604
Derivative component of convertible bonds		**–**	55,892
		34,174,628	31,333,792
NET CURRENT ASSETS		**19,701,370**	22,529,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,333,422**	26,483,520

	Notes	At 30 June 2018 (unaudited) *RMB'000*	At 31 December 2017 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Loans from equity holders	*13*	**4,118,756**	2,456,311
Loans from a fellow subsidiary		**33,880**	23,755
Bank and other borrowings	*14*	**4,940,822**	1,977,934
Convertible bonds	*15*	**133,655**	–
Deferred tax liabilities		**292,635**	254,294
NET ASSETS		**21,813,674**	21,771,226
CAPITAL AND RESERVES			
Share capital		**39,132**	39,132
Reserves		**7,280,240**	7,375,466
Equity attributable to owners of the Company		**7,319,372**	7,414,598
Non-controlling interests		**14,494,302**	14,356,628
TOTAL EQUITY		**21,813,674**	21,771,226

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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 statements 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 (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs"), the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue mainly from the following major sources:

- Sales of properties for sale; and
- Rental income (not within the scope of HKFRS 15)

Revenue from sales of properties for sale is recognised at a point in time when the customer obtains the control of the completed properties, which is the completed property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

Rental income will continue to be accounted for in accordance with HKAS 17 *Leases.*

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Summary of effects arising from initial application of HKFRS 15

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and retained profits at 1 January 2018.

The table below illustrates the reclassification of deposits received in respect of pre-sale of properties to contract liabilities under HKFRS 15 at the date of initial application, 1 January 2018.

	Deposits received in respect of pre-sale of properties	**Contract liabilities**
	RMB'000	*RMB'000*
Closing balance at 31 December 2017	7,272,992	–
Reclassification	(7,272,992)	7,272,992
Opening balance at 1 January 2018	–	7,272,992

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	**Reclassification**	**Amount without application of HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Deposits received in respect of pre-sale of properties	–	10,889,858	10,889,858
Contract liabilities	10,889,858	(10,889,858)	–

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from sales of electronic and electrical related products and building related materials and equipment are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unlisted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed below.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 at the date of initial application, 1 January 2018.

	Available-for-sale investment *RMB'000*	**Financial asset at FVTPL required by HKFRS 9** *RMB'000*
Closing balance at 31 December 2017 – HKAS 39	**18,750**	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investment *(note)*	**(18,750)**	18,750
Opening balance at 1 January 2018	–	18,750

Note:

(a) Available-for-sale investment

At the date of initial application of HKFRS 9, the Group's equity investment of RMB18,750,000 were reclassified from available-for-sale investment to financial asset at FVTPL. The fair value gains/losses relating to that equity investment previously carried at cost less impairment was not material and no adjustment was made to retained profits as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank balances and loans receivable are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets in the current interim period and retained profits at 1 January 2018.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	**1 January 2018 (Restated)** *RMB'000*
Non-current assets				
Available-for-sale investment	18,750	–	(18,750)	–
Financial asset at FVTPL	–	–	18,750	18,750
Others with no adjustments	3,935,370	–	–	3,935,370
	3,954,120	–	–	3,954,120
Current assets				
Others with no adjustments	53,863,192	–	–	53,863,192
Current liabilities				
Deposits received in respect of pre-sale of properties	7,272,992	(7,272,992)	–	–
Contract liabilities	–	7,272,992	–	7,272,992
Others with no adjustments	24,060,800	–	–	24,060,800
	31,333,792	–	–	31,333,792
Non-current liabilities				
Others with no adjustments	4,712,294	–	–	4,712,294
	21,771,226	–	–	21,771,226
Capital and reserves				
Share capital	39,132	–	–	39,132
Reserves	7,375,466	–	–	7,375,466
Equity attributable to owners of the Company	7,414,598	–	–	7,414,598
Non-controlling interests	14,356,628	–	–	14,356,628
Total equity	21,771,226	–	–	21,771,226

4. REVENUE

	Six months ended 30 June 2018 (Unaudited) *RMB'000*
Types of goods or service	
Sales of properties for sale *(note)*	**3,184,161**
Rental income	**64,437**
Total	**3,248,598**

Note: Disaggregation of revenue from contracts with customers

Geographical markets	
Foshan	**615,764**
Guangzhou	**822,985**
Nanjing and Jurong	**551,377**
Chongqing	**1,075,734**
Xi'an	**118,301**
Total	**3,184,161**
Timing of revenue recognition	
A point in time	**3,184,161**

5. 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").

Segment revenue and results

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

	Trading segment	**Properties segment**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
For the six months ended 30 June 2018 (unaudited)			
Segment revenue – external customers	**–**	**3,248,598**	**3,248,598**
Segment results	**–**	**1,631,108**	**1,631,108**
Unallocated net foreign exchange losses			**(43,553)**
Unallocated finance costs			**(172,982)**
Unallocated interest income			**19,815**
Fair value changes on derivative financial instruments, net			**(21,013)**
Unallocated corporate expenses			**(11,389)**
Profit before tax			**1,401,986**

	Trading segment	Properties segment	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2017 (unaudited)			
Segment revenue – external customers	–	4,872,150	4,872,150
Segment results	–	1,122,256	1,122,256
Unallocated net foreign exchange gains			76,882
Unallocated finance costs			(112,562)
Unallocated interest income			25,075
Fair value changes on derivative financial instruments, net			27,057
Unallocated corporate expenses			(10,086)
Profit before tax			1,128,622

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 changes on derivative financial instruments, net, certain finance costs, certain interest income and certain net foreign exchange gains (losses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on:		
– bank and other borrowings	**82,401**	128,254
– loans from an intermediate holding company	**51,954**	6,270
– loans from non-controlling equity holders of subsidiaries of the Group	**188,513**	101,010
– bonds	**80,518**	79,405
– convertible bonds *(note 15)*	**64,702**	44,568
Total borrowing costs	**468,088**	359,507
Less: Amount capitalised in the cost of qualifying assets	**(230,240)**	(197,769)
	237,848	161,738

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC Enterprise Income Tax		
– current period	**350,956**	279,391
LAT	**267,640**	199,162
	618,596	478,553
Deferred tax	**(26,312)**	(21,322)
	592,284	457,231

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.

8. PROFIT FOR THE PERIOD

The profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**6,240**	4,571
Depreciation of investment properties	**20,089**	19,340
Loss on disposal of property, plant and equipment	**2**	15

9. DIVIDEND

During the current period, a final dividend in respect of the year ended 31 December 2017 of HK$0.1 (2017: HK$0.045) per ordinary share was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from the share premium of the Company during the current period amounted to approximately RMB401,004,000 (2017: RMB195,970,000).

No interim dividend was paid, declared or proposed during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the interim reporting period (2017: nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the period attributable to owners of the Company	**427,087**	287,821
Effect of dilutive potential ordinary shares:		
– Fair value changes on convertible bonds	**21,013**	(27,057)
– Interest on convertible bonds	**64,702**	44,568
Earnings for the purpose of diluted earnings per share	**512,802**	305,332

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,905,258**	4,905,258
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**765,386**	780,976
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,670,644**	5,686,234

The computation of diluted earnings per share for the six months ended 30 June 2018 did not assume the conversion of the Group's convertible bonds since its exercise would result in an increase in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited and restated) *RMB'000*
Trade receivables	**2,044**	5,550
Other receivables		
Prepaid LAT	**409,267**	334,065
Other prepaid non-income tax	**727,911**	352,272
Other receivables	**238,615**	1,358,260
Prepayments	**31,008**	85,498
Amounts due from intermediate holding companies	**596**	590
Amounts due from non-controlling equity holders of subsidiaries of the Group	**4,582,336**	4,473,767
Amounts due from fellow subsidiaries	**16,196**	11,824
Amounts due from associates	**828,770**	801,200
Amounts due from joint ventures	**6,568,784**	6,522,458
Amount due from an investee	**84,750**	84,750
	13,488,233	14,024,684
Less: Amounts expected to be received more than one year:		
Amounts due from joint ventures	**(4,853,890)**	–
Amount due from an associate	**(447,300)**	–
	8,189,087	14,030,234

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

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
90 days or less	**569**	4,809
91 to 365 days	**772**	38
Over 365 days	**703**	703
	2,044	5,550

12. TRADE AND OTHER PAYABLES

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
Trade payables from properties segment *(note)*	**3,429,343**	4,562,561
Other payables		
LAT payable	**2,437,324**	2,155,923
Other non-income tax payables	**313,678**	305,250
Other payables and accrued charges	**734,763**	480,003
Dividend payable to non-controlling equity holder	**962,160**	962,031
Amounts due to intermediate holding companies	**1,234,539**	833,865
Amounts due to non-controlling equity holders of subsidiaries of the Group	**620,686**	427,613
Amounts due to fellow subsidiaries	**2,234,926**	1,802,104
Amounts due to joint ventures	**602,571**	443,679
Amounts due to associates	**284,635**	284,543
	9,425,282	7,695,011
	12,854,625	12,257,572

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

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
0 to 60 days	**1,060,709**	2,223,239
61 to 180 days	**874,062**	949,020
181 to 365 days	**904,132**	574,129
Over 365 days	**590,440**	816,173
	3,429,343	4,562,561

13. LOANS FROM EQUITY HOLDERS

	At 30 June 2018 (Unaudited) *RMB'000*	At 31 December 2017 (Audited) *RMB'000*
Current		
Loans from non-controlling equity holders of subsidiaries of the Group	**2,619,489**	2,591,329
Loan from an intermediate holding company	**2,489,057**	1,487,606
	5,108,546	4,078,935
Non-current		
Loans from non-controlling equity holders of subsidiaries of the Group	**4,118,756**	2,456,311

14. BANK AND OTHER BORROWINGS

The Group's bank and other borrowings were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China or fixed-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China at the respective date of borrowings' agreements.

As at 30 June 2018, land located in Nanjing with carrying value of approximately RMB4,964,600,000 (31 December 2017: nil) has been pledged to secure bank borrowings amounting to RMB168,270,000 (31 December 2017: nil) granted to the Group. A building located in Foshan with carrying value of approximately RMB374,418,000 has been pledged to secure bank borrowings amounting to approximately RMB408,453,000 (31 December 2017: nil) granted to the Group.

As at 31 December 2017, land located in Chongqing and Jurong with carrying values of approximately RMB362,110,000 and RMB67,898,000 have been pledged to secure bank borrowings amounting to RMB110,000,000 and RMB42,000,000 granted to the Group. The pledges were released due to the repayment of the bank borrowings during the period ended 30 June 2018.

15. 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 (subject to adjustment) with a 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 CBs 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. The conversion price of the CBs was adjusted to HK$2.8800 per share with effect from 10 May 2017, pursuant to the terms and conditions of the CBs, as a result of the approval by the shareholders of the final dividend of HK$0.045 per share for the year ended 31 December 2016. The conversation price of the CBs was further adjusted to HK$2.70 per share with effect from 12 May 2018, pursuant to the terms and conditions of the CBs, as a result of the approval by the shareholder of the final dividend of HK$0.1 per share for the year ended 31 December 2017. Unless previously redeemed, converted, purchased and cancelled, all CBs 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 at their principal amount together with accrued and unpaid interest to the respective dates fixed for redemption.

No CBs were converted into ordinary shares of the Company during the six months ended 30 June 2018 and 2017. During the period, the bondholders have requested to Cosmos to redeem the CBs at the principal amount of US$269,800,000 (together with interest due) on 23 June 2018. As at 30 June 2018, the principal amount of the CBs that remained outstanding amounted to US$20,200,000 of which a maximum amount of 58,025,622 shares (31 December 2017: 780,976,042 shares) may fall to be issued upon the conversions, subject to adjustments provided in the terms of the CBs. The repayment obligations of the CBs that remained outstanding would be 23 June 2020.

The movements of the liability component of the CBs during the reporting period are set out below:

	Liability component of CBs
	RMB'000
As at 1 January 2017 (audited)	1,714,915
Imputed interest expense	44,568
Interest paid	(4,982)
Exchange translation	(40,761)
As at 30 June 2017 (unaudited)	1,713,740
As at 1 January 2018 (audited)	1,691,604
Imputed interest expense	64,702
Interest paid	(4,797)
Exchange translation	24,023
Redemption	(1,641,877)
As at 30 June 2018 (unaudited)	133,655

16. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

(i) Cheuk Tat Acquisition

On 18 August 2016, the Company entered into an agreement (the "Agreement") with China Merchants Properties Development Limited ("CM Properties"), a subsidiary of China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("CMSK"), an intermediate holding company of the Company, to acquire the entire share capital of Cheuk Tat Development Limited ("Cheuk Tat"), a subsidiary of CM Properties, and all outstanding shareholder loan of approximately HK$239,681,000 (equivalent to approximately RMB194,118,000) owing by Cheuk Tat to CM Properties at the date of completion of the aforesaid acquisition for a total consideration of approximately HK$608,000,000 (equivalent to approximately of RMB492,000,000) (the consideration is subject to adjustment as defined in the Agreement but capped at HK$609,000,000 (equivalent to approximately RMB493,121,000)) (the "Cheuk Tat Acquisition"). The adjusted consideration was approximately HK$609,000,000 (equivalent to approximately RMB492,924,000) which was paid by cash. The Cheuk Tat Acquisition was completed on 28 February 2018. Upon completion, the Company holds a 100% equity interest in Cheuk Tat, which became a wholly-owned subsidiary of the Company.

Cheuk Tat is principally engaged in property investment in Hong Kong and up to the date of acquisition, Cheuk Tat has not carried out any significant business transaction except for holding certain completed properties in Hong Kong. The Cheuk Tat Acquisition has been accounted for by the Group as acquisition of assets.

Net assets of Cheuk Tat acquired:

	RMB'000
Other receivables	309
Investment properties	488,370
Bank balances and cash	4,247
Other payables	(2)
Shareholder loan	(194,118)
	298,806
Consideration transferred	
Cash paid	443,520
Deposit paid on previous year	49,404
	492,924
Net cash outflow arising from acquisition	
Cash consideration paid	443,520
Less: Bank balances and cash acquired	(4,247)
	439,273

(ii) Coming Wealth Acquisition

On 18 August 2016, the Company entered into an agreement (the "2016 Agreement") with CM Properties to acquire the entire share capital of Coming Wealth Limited ("Coming Wealth"), a subsidiary of CM Properties, and all outstanding shareholder loan of approximately HK$281,125,000 (equivalent to approximately RMB251,467,000) owing by Coming Wealth to CM Properties at the date of completion of the aforesaid acquisition for a total consideration of approximately HK$505,000,000 (equivalent to approximately of RMB452,000,000) (the consideration is subject to adjustment as defined in the 2016 Agreement but capped at HK$506,000,000 (equivalent to approximately RMB452,891,000)) (the "Coming Wealth Acquisition"). The adjusted consideration was approximately HK$504,000,000 (equivalent to approximately RMB451,101,000) which was paid by cash. The Coming Wealth Acquisition was completed on 5 January 2017. Upon completion, the Company holds a 100% equity interest in Coming Wealth, which became a wholly-owned subsidiary of the Company.

Coming Wealth is principally engaged in property investment in Hong Kong and up to the date of acquisition, Coming Wealth has not carried out any significant business transaction except for holding certain completed properties in Hong Kong. The Coming Wealth Acquisition has been accounted for by the Group as acquisition of assets.

Net assets of Coming Wealth acquired:

	RMB'000
Other receivables	435
Investment properties	451,722
Bank balances and cash	126
Other payables	(1,182)
Shareholder loan	(251,467)
	199,634

Net cash outflow arising from acquisition	
Cash consideration paid	451,101
Less: Bank balances and cash acquired	(126)
	450,975

17. CONTINGENT LIABILITIES

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

	At 30 June 2018 (Unaudited) ***RMB'000***	At 31 December 2017 (Audited) *RMB'000*
Guarantee given to banks in connection with facilities granted to their customers	**3,173,149**	3,572,819

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.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW ANALYSIS

In the first half of 2018, the economic development of China still maintained a stable and positive momentum in overall, and with economic restructuring propelling, the new and old driving forces for development shifting and the efficiency of quality improving, the economy had made a sound embarkation on quality-oriented approach. The GDP of the PRC recorded a year-on-year increase of 6.8%. In respect of real estate market, short term irrational demands are restrained actively by the real estate regulation policies. Different policies have been imposed in different cities in order to achieve a balanced supply and demand, which was in line with the market expectations to uphold the market discipline and counter rising property prices, as well as facilitating the formulation of a long-term effective mechanism for the smooth and healthy development of the real estate market. Affected by the economic situation and regulation policies, the conventional channel of financing for real estate companies continued to be limited, thus speeding up the turnover to secure working capital has become a general consensus among the industry. In the first half of the year, the total area of commercial houses sold reached 771.43 million square metres, which could still achieve a year-on-year growth of 3.3%. The sales reached RMB6.69 trillion, which was also a historical record of the corresponding period.

FINANCIAL REVIEW

During the six months period ended 30 June 2018, profit amounted to RMB809,702,000 (the corresponding period of 2017: RMB671,391,000), representing an increase of approximately 21% as compared with the last corresponding period.

Profit attributable to the owners of the Company was RMB427,087,000 (the corresponding period of 2017: RMB287,821,000), representing an increase of approximately 48% as compared with the last corresponding period. The increase in profit and profit attributable to the owners of the Company during the six months period ended 30 June 2018 were primarily due to the following reasons:

(i) Substantial increase in gross profit, which was attributable to the sale of products with relatively higher gross profits for the six months period ended 30 June 2018 as compared to the corresponding period of last year;

(ii) Gain on investment, which was realized through sales by Nanjing Zhaoyang Properties Co,. Ltd (南京招陽房地產有限公司) and Nanjing Aojian Properties Co,. Ltd (南京奧建置業有限公司), the joint ventures of the Company for the six month period ended 30 June 2018, as compared to loss on investment in the corresponding period of last year;

(iii) Increase in the profit attributable to the owners of the Company, which was mainly due to increased amount of completed and delivered properties held by the project companies in which the Group had higher proportion of equity interests for the six months ended 30 June 2018.

For the six months period ended 30 June 2018, the Group had no material exposure to fluctuations in exchange rates and no related hedges.

During the six months period ended 30 June 2018, basic earnings per share was RMB8.71 cents (the corresponding period of 2017: RMB5.87 cents), representing an increase of 48% compared to the corresponding period of last year. The Group, together with its associated companies and joint ventures, had achieved an aggregate contracted sales amount of RMB14,492,000,000, representing a year-on-year increase of 8%. The aggregate contracted sales area was 811,331 sq.m., representing a year-on-year increase of 5%. The average selling price was approximately RMB17,862 per sq.m., representing an increase of 3% as compared to the corresponding period of last year.

As at 30 June 2018, equity attributable to owners of the Company was RMB7,319,372,000, representing a decrease of approximately 1% as compared to the last financial year ended 31 December 2017 of RMB7,414,598,000.

Turnover

For the first half of 2018, the Group recorded turnover of RMB3,248,598,000 (the corresponding period of 2017: RMB4,872,150,000), representing a drop of approximately 33% as compared to the corresponding period of last year. Such decrease was attributable to the decrease in the total gross floor area ("GFA") completed and delivered in the first half of 2018. For the first half of 2018, projects in Foshan, Guangzhou, Chongqing, Nanjing and Xi'an accounted for 19%, 26%, 33%, 18% and 4% of the total revenue of the Group respectively.

Gross Profit

Gross profit amounted to RMB1,420,771,000 (the corresponding period of 2017: RMB1,116,763,000), representing an increase of approximately 27% as compared to the corresponding period of last year. The gross profit margin was 44% (the corresponding period of 2017: 23%), representing an increase of approximately 21 percentage points as compared to the corresponding period of last year. For the first half of 2018, over 50% of the recognised revenue were derived from projects with relatively higher profit margin.

BUSINESS REVIEW

Property Development Business

As at 30 June 2018, the Group's portfolio of property development projects consisted of 31 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.

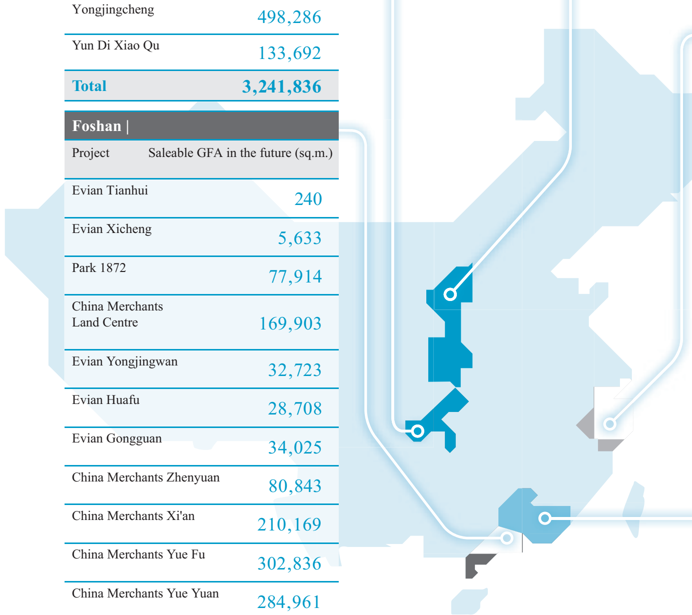
Below are the breakdown of land bank by cities and a map showing the geographical locations and the land bank of the projects of the Group in the PRC. The saleable GFA of the properties comprising the projects which had not been sold or presold as at 30 June 2018 ("Land Bank") was 6,195,181 sq.m..

Land bank by cities

A map showing the geographical location and land bank of the projects of the Group in the PRC as at 30 June 2018

Chongqing |	
Project	Saleable GFA in the future (sq.m.)
Changjiahui	1,088,884
Evian River Bay	421,685
Central Avenue	1,081,490
Jin Xing Hui Xiao Qu	17,799
Yongjingcheng	498,286
Yun Di Xiao Qu	133,692
Total	**3,241,836**

Foshan |	
Project	Saleable GFA in the future (sq.m.)
Evian Tianhui	240
Evian Xicheng	5,633
Park 1872	77,914
China Merchants Land Centre	169,903
Evian Yongjingwan	32,723
Evian Huafu	28,708
Evian Gongguan	34,025
China Merchants Zhenyuan	80,843
China Merchants Xi'an	210,169
China Merchants Yue Fu	302,836
China Merchants Yue Yuan	284,961
China Merchants Xi Yuan	122,537
China Merchants An Zhi Ting Lan	171,144
Total	**1,521,636**



Xi'an |	
Project	Saleable GFA in the future (sq.m.)
Evian Qujiang	200,928
Total	**200,928**

Nanjing and Jurong |	
Project	Saleable GFA in the future (sq.m.)
Zijinshan No.1	47,797
Mr. Mountain	1,819
Evian County	7,235
Evian Huafu	121,699
The Orchid Ravine	21,022
Century Taoyuan	167,902
China Merchants International E City	145,782
Dong Wang Fu	230,046
Total	**743,302**

Guangzhou |	
Project	Saleable GFA in the future (sq.m.)
Jinshan Valley	269,282
Huambo	14,749
Zhaoshang Yongjing Wan *(formerly known as "Sino-Singapore Guangzhou Knowledge City")*	203,448
Total	**487,479**

The table below details the Group's property development projects as at 30 June 2018 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:

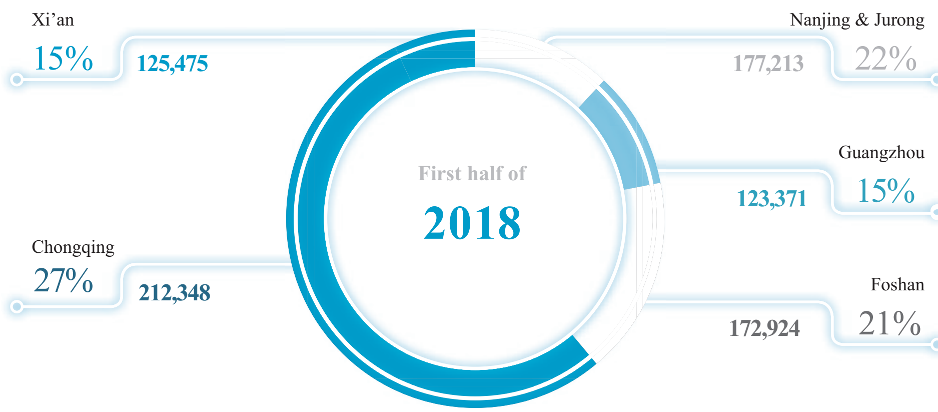
Project	The Company's attributable interest in the projects	Total GFA	Future Total GFA Saleable	Completed: GFA completed	Completed: Total GFA saleable/ rentable	Completed: Of which sold and delivered	Completed: Of which sold but not yet delivered	Completed: Of which not pre-sold/ held for investment	Under development: GFA under development	Under development: Total GFA saleable/ rentable	Under development: Of which sold	Future development: GFA	Future development: Total GFA saleable/ rentable
Foshan													
Evian Tianhu	50%	293,503	240	293,503	272,364	271,814	310	240	–	–	–	–	–
Evian Xicheng	50%	438,393	5,633	438,393	398,707	393,074	–	5,633	–	–	–	–	–
Park 1872	100%	308,694	77,914	308,694	270,406	100,596	91,896	77,914	–	–	–	–	–
China Merchants Land Center	51%	222,684	169,903	222,684	169,903	–	–	169,903	–	–	–	–	–
Evian Yongjingwan	50%	233,852	32,723	233,852	210,901	160,693	17,485	32,723	–	–	–	–	–
Evian Huafu	50%	383,025	28,708	383,025	358,313	261,342	68,263	28,708	–	–	–	–	–
Evian Gongguan	55%	317,111	34,025	238,095	218,642	193,819	7,890	16,933	79,016	78,575	61,483	–	–
China Merchants Zhenyuan	50%	133,683	80,843	133,683	117,432	35,854	735	80,843	–	–	–	–	–
China Merchants Xi'an	60%	228,864	210,169	–	–	–	–	–	228,864	210,169	5,174	–	–
China Merchants Yuefu	50%	326,045	302,836	–	–	–	–	–	108,708	100,774	–	217,337	202,061
China Merchants Yueyuan	50%	313,768	284,961	–	–	–	–	–	86,043	71,624	–	227,725	213,337
China Merchants Xiyuan	100%	136,114	122,537	–	–	–	–	–	136,114	122,537	5,984	–	–
China Merchants Anzhitinglan	100%	180,722	171,144	–	–	–	–	–	–	–	–	180,722	171,144
Foshan Subtotal		3,516,458	1,521,636	2,251,929	2,016,668	1,417,192	186,579	412,897	638,745	583,679	72,641	625,784	586,542
Guangzhou													
Jinshan Valley	100%	1,261,953	269,282	1,092,443	900,883	786,398	14,713	99,772	169,510	169,510	–	–	–
Huambo	51%	126,202	14,749	126,202	103,611	88,862	–	14,749	–	–	–	–	–
Zhaoshang Yongjing Wan	60%	392,674	203,448	–	–	–	–	–	392,674	270,971	67,523	–	–
Guangzhou Subtotal		1,780,829	487,479	1,218,645	1,004,494	875,260	14,713	114,521	562,184	440,481	67,523	–	–
Chongqing													
Changjiahui	50%	1,896,259	1,088,884	563,347	535,111	362,201	5,472	167,438	404,426	403,677	139,067	928,486	656,356
Evian River Bay	100%	540,430	421,685	165,473	155,297	95,776	9,379	50,142	292,542	289,383	–	82,415	82,160
Central Avenue	50%	1,546,633	1,081,490	285,901	253,239	210,607	752	41,880	519,995	512,207	235,720	740,737	738,661
Jin Xing Hui Xiao Qu	100%	97,594	17,799	97,594	95,440	76,075	1,635	17,730	–	–	–	–	–
Yongjingcheng	100%	519,682	498,286	–	–	–	–	–	208,426	198,940	–	311,256	299,346
Yundi Xiao Qu	100%	135,756	133,692	–	–	–	–	–	135,756	133,692	–	–	–
Chongqing Subtotal		4,736,354	3,241,836	1,112,315	1,039,087	744,659	17,238	277,190	1,561,145	1,537,899	374,787	2,062,894	1,776,523

Project	The Company's attributable interest in the projects	Total GFA	Future Total GFA Saleable	Completed					Under development			Future development	
				GFA completed	Total GFA saleable/ rentable	Of which sold and delivered	Of which sold but not yet delivered	Of which not pre-sold/ held for investment	GFA under development	Total GFA saleable/ rentable	Of which sold	GFA	Total GFA saleable/ rentable
Nanjing&Jurong													
Zijinshan No.1	51%	213,870	47,797	213,870	145,376	97,492	87	47,797	–	–	–	–	–
Mr. Mountain	26%	73,496	1,819	73,496	59,024	57,205	–	1,819	–	–	–	–	–
Evian County	26%	212,974	7,235	212,974	167,135	159,901	–	7,234	–	–	–	–	–
China Merchants International E City	70%	372,915	145,782	334,617	288,508	153,341	20,823	114,344	4,232	4,232	4,232	34,066	31,438
Evian Huafu	51%	351,559	121,699	140,061	112,222	112,222	–	–	211,498	164,934	43,235	–	–
The Orchid Ravine	51%	344,956	21,022	315,370	271,639	195,823	56,344	19,472	29,586	1,549	–	–	–
Century Taoyuan	18%	221,162	167,902	–	–	–	–	–	221,162	167,902	–	–	–
Dongwangfu	51%	318,279	230,046	–	–	–	–	–	318,279	230,046	–	–	–
Nanjing&Jurong Subtotal		2,109,211	743,302	1,290,388	1,043,904	775,984	77,254	190,666	784,757	568,663	47,467	34,066	31,438
Xi'an													
Evian Qujiang	100%	538,534	200,928	240,044	239,144	211,858	1,026	26,260	298,490	294,055	119,387	–	–
Xi'an Subtotal		538,534	200,928	240,044	239,144	211,858	1,026	26,260	298,490	294,055	119,387	–	–
Total		12,681,386	6,195,181	6,113,321	5,343,297	4,024,953	296,810	1,021,534	3,845,321	3,424,777	681,805	2,722,744	2,394,503

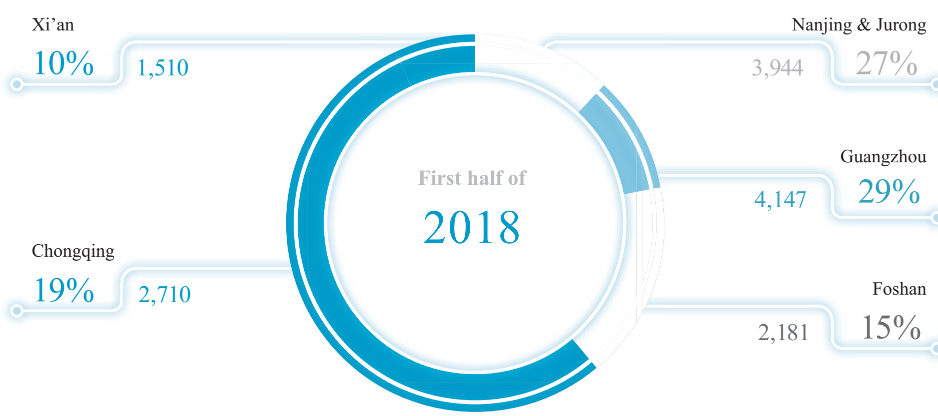
Contracted sales

For the first half of 2018, the Group, together with its associated companies and joint venture, recorded contracted sales of approximately RMB14,492,000,000 from five cities and the saleable area sold was approximately 811,331 sq.m..

Contracted sales in area by region (sq.m.)



Contracted sales amount by region (RMB million)



Newly Acquired Land Bank

The newly acquired lands controlled by the Group at 30 June 2018 are as follows:

Project	**Total consideration** *(RMB million)*	**Total site area** *(sq.m.)*	**Total permissible area** *(sq.m.)*	**Average land premium** *(RMB/sq.m.)*
Foshan Cina Merchants Anzhitinglan	948	39,036	108,665	8,724
Chongqing Yongjingcheng	2,310	182,789	365,577	6,319

Electronic Trading Business and Property Related Procurement Business

The Group will consider the synergies from the property related procurement business and its key business of property development before determining the resources and effort to be input to the trading procurement business.

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 30 June 2018, the net assets attributable to shareholders of the Group were approximately RMB7,319,372,000 (31 December 2017: RMB7,414,598,000). As at 30 June 2018, bank balances and cash was RMB5,831,549,000 (31 December 2017: RMB5,100,692,000). In terms of currency denomination, bank balances and cash can be divided into RMB5,726,699,000 in Renminbi, RMB2,766,000 in US$ and RMB102,084,000 in Hong Kong dollars.

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 have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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 23 June 2018, the directly wholly-owned subsidiary of the Company redeemed convertible bonds in an aggregate principal amount of US$269,800,000.

As at 30 June 2018, total interest-bearing debt of the Group was RMB19,193,345,000 (31 December 2017: RMB15,233,460,000). In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bond) can be divided into RMB6,793,073,000 repayable within one year, RMB1,541,481,000 repayable after one year but within two years and RMB7,435,379,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB15,105,151,000 in Renminbi and RMB4,088,194,000 in US$.

At 30 June 2018, 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 61% (31 December 2017: 47%). 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 minimised 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 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].

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 period ended 30 June 2018; 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 period ended 30 June 2018.

The Group will continue focusing on developing its property development business in the 4 Target Cities and the 2 new cities entered in 2014.

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, the government of the PRC is expected to put more efforts on stabilizing housing prices. It will give priority to restraining the surge of property prices by imposing more stringent property control policies so as to narrow down the increase of the property prices. The Group will keep an eye on the market condition and adhere to its principle of "sustaining intensive engagement and innovative development" by leveraging on the abundant inventory resources of China Merchants Group Limited ("CMG") and CMSK and fully capitalizing on the advantages of overseas listing, so as to facilitate corporate transformation as well as active exploration and grasping of market opportunities. The Group will expedite its transformation, develop more light-assets business and establish a professional operating platform, in order to bring better returns to shareholders.

INTERIM DIVIDEND

No interim dividend was declared by the Directors for the six months period ended 30 June 2018 (the corresponding period of 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, land located in Nanjing with carrying value of approximately RMB4,964,600,000 (31 December 2017: nil) has been pledged to secure bank borrowings amounting to RMB168,270,000 (31 December 2017: nil) granted to the Group. A building located in Foshan with carrying value of approximately RMB374,418,000 has been pledged to secure bank borrowings amounting to approximately RMB408,453,000 (31 December 2017: nil) granted to the Group.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounting to RMB3,173,149,000 as at 30 June 2018 (31 December 2017: RMB3,572,819,000).

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 2018, the Group had 700 (31 December 2017: 726) employees in the PRC and Hong Kong.

The Group's total expenses on salaries and allowances (including directors' remuneration) for the six months period ended 30 June 2018 was approximately RMB127,513,000 (the corresponding period of 2017: RMB123,650,000). 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. Appropriate trainings have been provided to employees throughout the six months period ended 30 June 2018. 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 six months period ended 30 June 2018 and since its adoption.

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

During the six months period ended 30 June 2018, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company ("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. The Audit Committee is responsible for reviewing the financial reports, internal control principles and for maintaining an appropriate relationship with the Company's external auditor. The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited consolidated financial statements for the six months period ended 30 June 2018, 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 Listing Rules.

- 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.

- On 15 May 2017, the Company as a borrower entered into a facility agreement with a bank in relation to a term loan facility of up to RMB600,000,000 which has a term of 36 months commencing from the date of initial drawdown.

- On 16 January 2018, the Company as a borrower entered into a facility agreement with a bank in relation to a term loan facility of up to RMB660,000,000. The Loan Facility has a term of 3 years commencing from the date of the first drawdown.

- On 13 June 2018, the Company as a borrower has entered into a facility agreement with a bank in relation to a term loan facility of up to RMB1,000,000,000. The Loan Facility has a term of 3 years commencing from the date of the facility agreement.

- On 15 June 2018, the Company as a borrower has entered into a facility agreement with a bank in relation to a term loan facility of up to RMB1,000,000,000. The Loan Facility has a term of 3 years commencing from the date of the first 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 50% of the issued share capital of the Company;

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

(iv) 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);

(v) 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

(vi) 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 May 2016, 15 May 2017, 16 January 2018, 13 June 2018 and 15 June 2018 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 May 2016, 15 May 2017, 18 January 2018, 13 June 2018 and 15 June 2018 and the subsequent internal/annual report of the Company respectively.

As at 30 June 2018, the aggregate outstanding principal of loans owed by the Group under the above loan agreements were RMB3,900,000,000.

CORPORATE GOVERNANCE CODE

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 period ended 30 June 2018, save that:

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 retirement by rotation and re-election at annual general meeting according to the Company's articles of association.

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, Dr. YAN Chengda and Ms. Liu Ning, the non-executive Directors and Dr. Wong Wing Kuen, Albert and Ms. Chen Yanping, the independent non-executive Directors, did not attend the annual general meeting (the "AGM") of the Company held on 27 April 2018 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, the chairman of the Board, could not attend the AGM held on 27 April 2018 due to other business engagement. However, he had appointed Mr. Huang Junlong, a non-executive Director as his alternate director who chaired the AGM and answered questions for shareholders of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct for securities transactions by Directors on terms no less exacting than the required standard under 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 confirmed that all Directors have complied with the required standard set out in the Model Code for the six months period ended 30 June 2018.

On behalf of the Board
XU Yongjun
Chairman

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.