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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 2019**

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 2019 to 30 June 2019 together with the comparative figures for the period from 1 January 2018 to 30 June 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	2,904,538	3,248,598
Cost of sales		(1,954,854)	(1,827,827)
Gross profit		949,684	1,420,771
Other income		107,640	102,924
Net foreign exchange gains (losses)		49,308	(43,556)
Selling and marketing expenses		(96,116)	(117,352)
Administrative expenses		(131,604)	(70,032)
Fair value loss on derivative financial instruments		–	(21,013)
Gain on disposal of a subsidiary		204	–
Share of profits (losses) of associates		302,110	(7,947)
Share of (losses) profits of joint ventures		(17,630)	376,039
Finance costs	6	(217,010)	(237,848)

	NOTES	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit before tax		946,586	1,401,986
Income tax expense	7	(418,363)	(592,284)
Profit for the period	8	528,223	809,702
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		1,914	866
Total comprehensive income for the period		530,137	810,568
Profit for the period attributable to:			
Owners of the Company		491,215	427,087
Non-controlling interests		37,008	382,615
		528,223	809,702
Total comprehensive income for the period attributable to:			
Owners of the Company		493,129	427,953
Non-controlling interests		37,008	382,615
		530,137	810,568
Earnings per share			
Basic (RMB cents)	10	10.01	8.71
Diluted (RMB cents)	10	N/A	8.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>NOTES</i>	30.6.2019	31.12.2018
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		227,946	222,947
Right-of-use assets		40,883	–
Investment properties		2,734,877	2,571,070
Goodwill		160,210	160,210
Interests in associates		1,064,333	711,547
Interests in joint ventures		3,803,081	3,761,580
Financial asset at fair value through profit or loss		16,711	16,711
Other receivables		5,754,735	5,608,301
Deferred tax assets		815,498	741,121
		<u>14,618,274</u>	<u>13,793,487</u>
Current assets			
Properties for sale		42,381,099	41,163,479
Deposits paid for acquisitions of land use rights		727,228	290,228
Trade and other receivables	<i>11</i>	13,089,417	8,425,494
Contract costs		126,293	75,625
Prepaid income tax		1,416,089	656,091
Bank balances and cash		9,220,775	6,866,261
		<u>66,960,901</u>	<u>57,477,178</u>
Current liabilities			
Trade and other payables	<i>12</i>	9,842,495	11,015,791
Contract liabilities		21,528,034	14,886,338
Lease liabilities		25,662	–
Loans from non-controlling interests	<i>13</i>	50,857	1,408,924
Loans from an intermediate holding company		3,494,259	3,287,611
Bank and other borrowings	<i>14</i>	1,757,524	1,095,980
Income tax payable		2,742,455	2,743,268
		<u>39,441,286</u>	<u>34,437,912</u>
Net current assets		<u>27,519,615</u>	<u>23,039,266</u>
Total assets less current liabilities		<u>42,137,889</u>	<u>36,832,753</u>

	<i>NOTES</i>	30.6.2019 RMB'000 (Unaudited)	31.12.2018 <i>RMB'000</i> (Audited)
Non-current liabilities			
Loans from non-controlling interests	<i>13</i>	2,482,859	4,936,731
Loan from an intermediate holding company		200,000	200,000
Bank and other borrowings	<i>14</i>	10,975,173	5,818,890
Bonds payable		1,900,000	1,900,000
Lease liabilities		265,804	–
Deferred tax liabilities		190,679	180,104
		<u>16,014,515</u>	<u>13,035,725</u>
Net assets		<u>26,123,374</u>	<u>23,797,028</u>
Capital and reserves			
Share capital		39,132	39,132
Reserves		8,153,551	8,078,761
		<u>8,192,683</u>	<u>8,117,893</u>
Equity attributable to owners of the Company		17,930,691	15,679,135
Non-controlling interests		<u>26,123,374</u>	<u>23,797,028</u>
Total equity		<u>26,123,374</u>	<u>23,797,028</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB297,043,000 and right-of-use assets of RMB258,748,000 at 1 January 2019. The impact on decrease in equity attributable to shareholders of the Company and non-controlling interests at 1 January 2019 were RMB15,868,000 and RMB15,538,000 respectively.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.89%.

Lease liabilities as at 1 January 2019

	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	404,747
Lease liabilities discounted at relevant incremental borrowing rates	328,597
Less: Recognition exemption – short term leases	31,554
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>297,043</u>
Analysed as:	
Current portion	21,632
Non-current portion	275,411
	<u>297,043</u>

Right-of-use assets as at 1 January 2019

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>258,748</u>
By class:	
Land and buildings	45,293
Motor vehicles	<u>953</u>
Impact on right-of-use assets	<u>46,246</u>
Impact on investment properties	<u>212,502</u>
	<u>258,748</u>

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 <i>RMB'000</i>
Retained profits	
Rental expenses recognised in accordance with HKAS 17 before date of initial application of HKFRS 16	27,778
Amortisation of right-of-use assets upon adoption of HKFRS 16	(34,269)
Interest expenses on lease liabilities upon adoption of HKFRS 16	(12,211)
Adjustment to share of results of joint ventures upon adoption of HKFRS 16	(1,369)
Tax effects	<u>4,203</u>
Impact at 1 January 2019	<u>(15,868)</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	–	46,246	46,246
Investment properties	2,571,070	212,502	2,783,572
Interests in joint ventures	3,761,580	(2,684)	3,758,896
Deferred tax assets	741,121	9,574	750,695
Current liability			
Lease liabilities	–	21,632	21,632
Non-current liability			
Lease liabilities	–	<u>275,411</u>	<u>275,411</u>
Equity attributable to shareholders of the Company	8,117,893	(15,868)	8,102,025
Non-controlling interests	<u>15,679,135</u>	<u>(15,538)</u>	<u>15,663,597</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
By types of goods or services		
Sales of properties for sale	2,706,698	3,168,618
Properties operation income	49,895	15,543
Rental income from investment properties	147,945	64,437
	<u>2,904,538</u>	<u>3,248,598</u>
By timing of revenue recognition		
At a point in time	2,706,698	3,168,618
Over time	49,895	15,543
	<u>2,756,593</u>	<u>3,184,161</u>
Revenue from contract with customers	2,756,593	3,184,161
Rental income from investment properties	147,945	64,437
	<u>2,904,538</u>	<u>3,248,598</u>

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 RMB'000	Properties segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2019 (unaudited)			
Segment revenue – external customers	<u>–</u>	<u>2,904,538</u>	<u>2,904,538</u>
Segment results	<u>–</u>	<u>1,097,161</u>	<u>1,097,161</u>
Unallocated net foreign exchange gains			49,307
Unallocated finance costs			(182,147)
Unallocated income			3,514
Unallocated expenses			<u>(21,249)</u>
Profit before tax			<u>946,586</u>
	Trading segment RMB'000	Properties segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2018 (unaudited)			
Segment revenue – external customers	<u>–</u>	<u>3,248,598</u>	<u>3,248,598</u>
Segment results	<u>–</u>	<u>1,631,108</u>	1,631,108
Unallocated net foreign exchange losses			(43,553)
Unallocated finance costs			(172,982)
Unallocated income			19,815
Fair value losses on derivative financial instruments			(21,013)
Unallocated expenses			<u>(11,389)</u>
Profit before tax			<u>1,401,986</u>

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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
– bank and other borrowings	250,371	82,401
– lease liabilities	7,081	–
– loans from an intermediate holding company	95,286	51,954
– loans from non-controlling equity holders interests	128,052	188,513
– bonds	54,019	80,518
– convertible bonds	–	64,702
	<hr/>	<hr/>
Total borrowing costs	534,809	468,088
Less: Amount capitalised in the cost of qualifying assets	(317,799)	(230,240)
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	217,010	237,848
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The income tax expenses (credit) comprise of:		
PRC Enterprise Income Tax (“EIT”) – current period	252,447	350,956
LAT	220,143	267,640
	<hr/>	<hr/>
	472,590	618,596
Deferred tax	(54,227)	(26,312)
	<hr/>	<hr/>
	418,363	592,284
	<hr/>	<hr/>

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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	10,263	6,240
Depreciation of right-of-use assets	8,487	–
Depreciation of investment properties	45,699	20,089
Loss on disposal of property, plant and equipment	<u>38</u>	<u>2</u>

9. DIVIDEND

During the current period, a final dividend in respect of the year ended 31 December 2018 of HK\$0.08 (2018: HK\$0.1) 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 RMB342,735,000 (2018: RMB401,004,000).

No interim dividend was paid, declared or proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the interim reporting period (2018: 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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the period attributable to owners of the Company	491,215	427,087
Effect of dilutive potential ordinary shares:		
– Fair value changes on convertible bonds	–	21,013
– Interest on convertible bonds	–	64,702
Earnings for the purpose of diluted earnings per share	<u>491,215</u>	<u>512,802</u>

	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
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
	<u>4,905,258</u>	<u>5,670,644</u>

11. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	<u>7,122</u>	<u>2,386</u>

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

	30.6.2019	31.12.2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 180 days	6,961	1,678
181 – 365 days	2	5
Over 1 year	<u>159</u>	<u>703</u>
	<u>7,122</u>	<u>2,386</u>

12. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	<u>3,528,908</u>	<u>4,294,917</u>

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

	30.6.2019	31.12.2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 60 days	856,370	1,434,640
61 to 180 days	274,372	319,582
181 to 365 days	1,070,219	1,546,752
Over 365 days	<u>1,327,947</u>	<u>993,943</u>
	<u>3,528,908</u>	<u>4,294,917</u>

13. LOANS FROM NON-CONTROLLING INTERESTS

Details of the terms of the loans are set out as below:

	Effective interest rate per annum	30.6.2019	31.12.2018
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Fixed-rate loans denominated in:			
RMB	4.75 to 6.6% (31 December 2018: 4.75 to 6.6%)	880,046	4,455,146
US\$	4% (31 December 2018: 4%)	690,715	693,217
Variable-rate loans denominated in:			
RMB	RMB Benchmark Loan Rates offered by the People's Bank of China	962,955	1,197,292
		<u>2,533,716</u>	<u>6,345,655</u>

14. BANK AND OTHER BORROWINGS

The Group's bank and other borrowings were subject to variable-rate interest at Hong Kong Inter-Bank Offer rate, 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 2019, land with carrying value of approximately RMB8,228,567,000 (31 December 2018: RMB4,549,627,000) has been pledged to secure bank borrowings amounting to RMB1,905,485,000 (31 December 2018: RMB1,216,586,000) granted to the Group.

15. COMMITMENTS

At the end of the reporting period, the Group had the following commitments contracted for but not provided in the consolidated financial statements in respect of:

	30.6.2019	31.12.2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Construction of properties under development for sale	7,792,736	7,314,457
Capital injection to a joint venture	210,000	225,000
Acquisition of land use rights for properties under development for sale	336,600	281,400
Leasehold improvements	13,265	18,802
	<u>8,352,601</u>	<u>7,839,659</u>

16. CONTINGENT LIABILITIES

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

	30.6.2019	31.12.2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Guarantee given to banks in connection with facilities granted to customers	<u>7,614,501</u>	<u>4,172,353</u>

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

During the first half of 2019, the global economy continued to be impacted by the trade disputes, resulting in weak trade and investment as well as the slowing down of real economic growth. Although the Sino-US trade negotiations have resumed, the current situation was no clearer. Facing the aggravating external uncertainties, the Central Government adhered to the general principle of seeking progress while working to keep performance stable. The supply-side structural reforms have been progressing continuously, while the reforms and opening-up policy has made continued progress and the development of economy was steady and progressive in general. During the first half of the year, the gross domestic product reached RMB45.0933 trillion, representing a year-on year growth of 6.3%, which was within the reasonable range as forecasted by the market.

For the domestic real estate market, adjustment policies continue to curb irrational demand, while establishing a long-term mechanism for promoting stable and healthy development in the market. The Central Government emphasizes on the setting of a city's primary responsibility to reform and improve the market system and security system for housing, with an aim to promote stable development of the real estate market. City-specific policies have been implemented effectively and disparity among cities will be increasingly notable. With regards to the sales of national commercial housing, the area sold of national commercial housing during the first half of the year has dropped. As indicated by the information of National Bureau of Statistics, from January to June, the area of commercial houses sold reached 757.86 million square metres, which recorded a year-on-year decrease of 1.8%. The sales of commercial houses reached RMB7.0698 trillion, which achieved a year-on-year growth of 5.6%.

FINANCIAL REVIEW

During the six months period ended 30 June 2019, profit amounted to RMB528,223,000 (the corresponding period of 2018: RMB809,702,000), representing a decrease of approximately 35% as compared with the last corresponding period.

Profit attributable to the owners of the Company was RMB491,215,000 (the corresponding period of 2018: RMB427,087,000), representing an increase of approximately 15% as compared with the last corresponding period. The decrease in profit and increase in profit attributable to the owners of the Company during the six months period ended 30 June 2019 were primarily due to the following reasons:

- (i) 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 2019.

- (ii) During the six months period ended 30 June 2019, the Company has recorded a net foreign exchange gain, while a loss was recorded for the corresponding period of last year.

For the six months period ended 30 June 2019, the Group had no material exposure to fluctuations in exchange rates and no related hedges.

During the six months period ended 30 June 2019, basic earnings per share was RMB10.01 cents (the corresponding period of 2018: RMB8.71 cents), representing an increase of approximately 15% 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 RMB15,830,042,000, representing a year-on-year increase of 9%. The aggregate contracted sales area was 923,726 sq.m., representing a year-on-year increase of 14%. The average selling price was approximately RMB17,137 per sq.m., representing a decrease of 4% as compared to the corresponding period of last year.

As at 30 June 2019, equity attributable to owners of the Company was RMB8,192,683,000, representing an increase of approximately 1% as compared to the last financial year ended 31 December 2018 of RMB8,117,893,000.

Turnover

For the first half of 2019, the Group recorded turnover of RMB2,904,538,000 (the corresponding period of 2018: RMB3,248,598,000), representing a drop of approximately 11% 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 2019. For the first half of 2019, projects in Foshan, Guangzhou, Chongqing, Nanjing, Xi’an and Hong Kong accounted for 52%, 18%, 5%, 23%, 1% and 1% of the total turnover of the Group respectively.

Gross Profit

Gross profit amounted to RMB949,684,000 (the corresponding period of 2018: RMB1,420,771,000), representing a decrease of approximately 33% as compared to the corresponding period of last year. The gross profit margin was 33%, representing a decrease of approximately 11 percentage points as compared to the corresponding period of last year (the corresponding period of 2018: 44%). For the first half of 2019, over 50% of the recognised revenue were derived from projects with relatively lower profit margin.

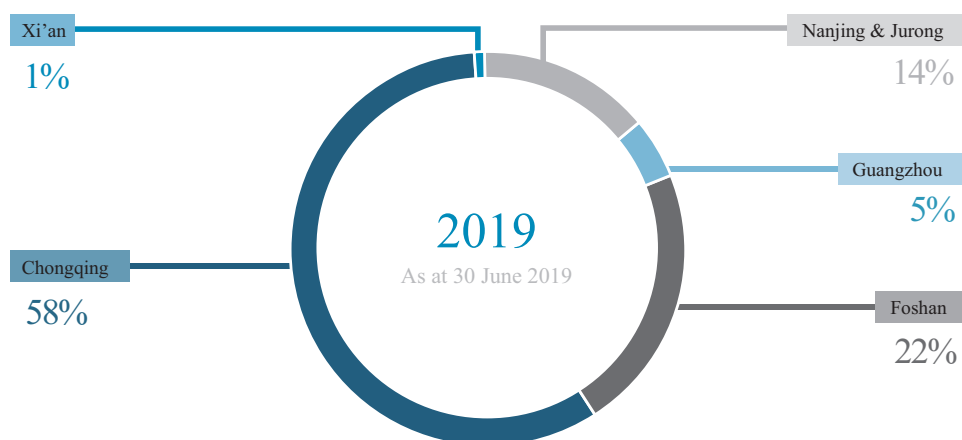
BUSINESS REVIEW

Property Development Business

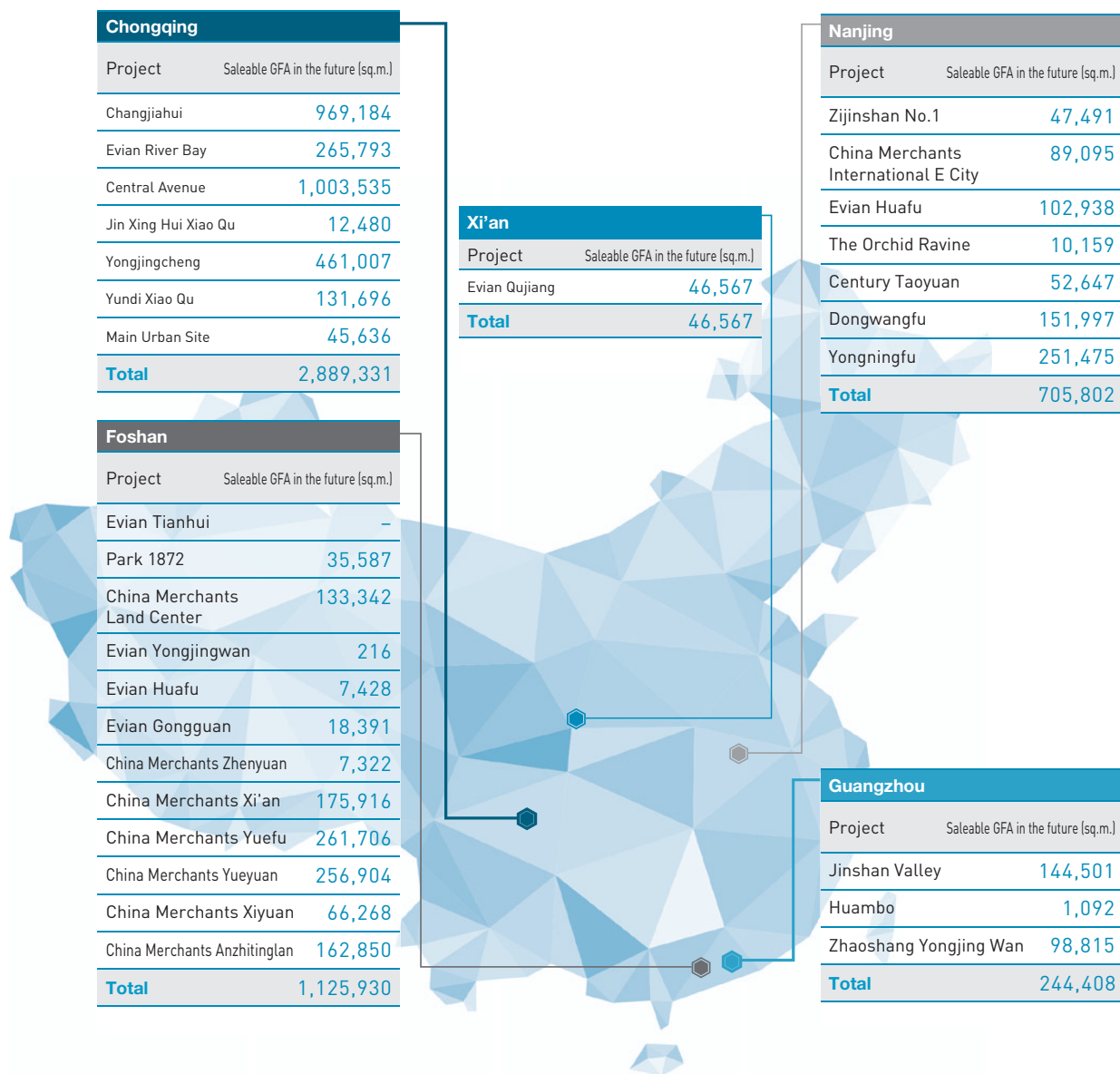
As at 30 June 2019, the Group's portfolio of property development projects consisted of 30 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including 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 2019 ("Land Bank") was 5,012,038 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 2019



The table below details the Group's property development projects as at 30 June 2019 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:

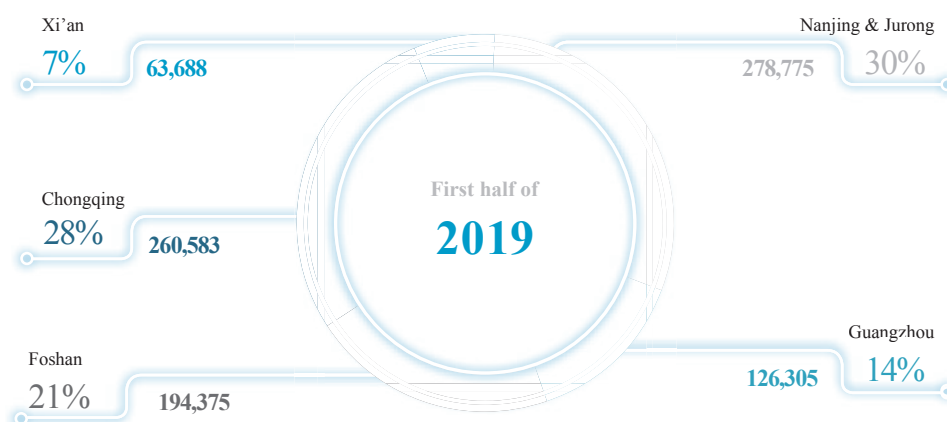
Project	The Company's attributable interest in the projects	Completed							Under development			Future development		
		Total GFA	Future Total GFA Saleable	GFA completed	Total GFA saleable/rentable	Of which sold and delivered	Of which but not yet delivered	Of which not pre-sold/ held for investment	Total GFA under development	GFA saleable/rentable	Of which sold	Total GFA saleable/rentable	GFA	Total GFA saleable/rentable
Evian Tianhui	50%	293,503	-	293,503	272,364	272,328	36	-	-	-	-	-	-	-
Park 1872	100%	308,694	35,587	308,694	270,338	219,986	14,765	35,587	-	-	-	-	-	-
China Merchants Land Center	51%	222,684	133,342	222,684	196,810	36,520	26,948	133,342	-	-	-	-	-	-
Evian Yongjingwan	50%	233,851	216	233,851	213,534	201,581	11,737	216	-	-	-	-	-	-
Evian Huaifu	50%	383,025	7,428	383,025	358,313	342,997	7,888	7,428	-	-	-	-	-	-
Evian Gongguan	55%	317,111	18,391	317,111	290,689	269,458	2,840	18,391	-	-	-	-	-	-
China Merchants Zhenyuan	50%	133,683	7,322	133,683	121,828	108,583	5,923	7,322	-	-	-	-	-	-
China Merchants Xi'an	60%	231,602	175,916	25,256	24,401	-	560	23,841	206,346	186,050	33,975	-	-	-
China Merchants Yuefu	50%	315,637	261,706	-	-	-	-	-	223,501	208,395	30,722	92,136	84,033	-
China Merchants Yueyuan	50%	313,768	256,904	-	-	-	-	-	182,510	162,200	28,056	131,258	122,760	-
China Merchants Xiyuan	100%	128,836	66,268	-	-	-	-	-	128,836	123,107	56,839	-	-	-
China Merchants Anzhitinglan	100%	177,562	162,850	-	-	-	-	-	164,880	150,726	-	12,682	12,124	-
Foshan subtotal		3,059,956	1,125,930	1,917,807	1,748,277	1,451,453	70,697	226,127	906,073	830,478	149,592	236,076	218,917	
Jinshan Valley	100%	1,261,953	144,501	1,204,485	1,001,643	841,999	70,390	89,254	57,468	55,247	-	-	-	-
Huambo	51%	126,202	1,092	126,202	104,216	103,124	-	1,092	-	-	-	-	-	-
Zhaoshang Yongjing Wan	60%	392,674	98,815	-	-	-	-	-	392,674	286,773	187,958	-	-	-
Guangzhou subtotal		1,780,829	244,408	1,330,687	1,105,859	945,123	70,390	90,346	450,142	342,020	187,958	-	-	
Changjiahui	50%	1,934,283	969,184	755,958	726,159	444,978	40,725	240,456	281,350	280,220	140,019	896,975	588,527	-
Evian River Bay	100%	540,430	265,793	165,473	155,297	108,486	5,089	41,722	292,542	290,089	148,178	82,415	82,160	-
Central Avenue	50%	1,599,435	1,003,535	540,058	527,508	355,753	303	171,452	927,303	865,482	165,123	132,074	131,724	-
Jin Xing Hui Xiao Qu	100%	97,594	12,480	97,594	95,440	81,156	1,804	12,480	-	-	-	-	-	-
Yongjingcheng	100%	519,682	461,007	-	-	-	-	-	208,426	198,940	37,279	311,256	299,346	-
Yundi Xiao Qu	100%	135,756	131,696	-	-	-	-	-	135,756	131,696	-	-	-	-
Main Urban Site	100%	47,012	45,636	-	-	-	-	-	47,012	45,636	-	-	-	-
Chongqing subtotal		4,874,192	2,889,331	1,559,083	1,504,404	990,373	47,921	466,110	1,892,389	1,812,063	490,599	1,422,720	1,101,757	

Project	The Company's attributable interest in the projects	Completed							Under development			Future development	
		Total GFA	Future Total GFA Saleable	GFA completed	Total GFA saleable/rentable	Of which sold and delivered	Of which not sold but not yet delivered	Of which pre-sold/ held for investment	GFA under development	Total GFA saleable/rentable	Of which sold	GFA	Total GFA saleable/rentable
Zijinshan No.1	51%	213,870	47,491	213,870	145,375	97,884	-	47,491	-	-	-	-	-
China Merchants International E City	70%	372,916	89,095	372,916	324,538	226,459	8,984	89,095	-	-	-	-	-
Evian Huafu	51%	358,646	102,938	315,784	82,739	-	-	82,739	42,862	40,554	20,355	-	-
The Orchid Ravine	51%	345,296	10,159	345,296	273,174	263,015	-	10,159	-	-	-	-	-
Century Taoyuan	18%	221,743	52,647	-	-	-	-	-	221,743	170,174	117,527	-	-
Dongwangfu	51%	324,279	151,997	-	-	-	-	-	324,279	255,677	103,680	-	-
Yongningfu	51%	351,322	251,475	-	-	-	-	-	184,347	141,035	13,675	166,975	124,115
Nanjing subtotal		2,188,072	705,802	1,247,866	825,826	587,358	8,984	229,484	773,231	607,440	255,237	166,975	124,115
Evian Quijiang	100%	538,269	46,567	240,044	229,522	219,363	1,675	8,484	298,225	270,611	232,528	-	-
Xi'an subtotal		538,269	46,567	240,044	229,522	219,363	1,675	8,484	298,225	270,611	232,528	-	-
Total		12,441,318	5,012,038	6,295,487	5,413,888	4,193,670	199,667	1,020,551	4,320,060	3,862,612	1,315,914	1,825,771	1,444,789

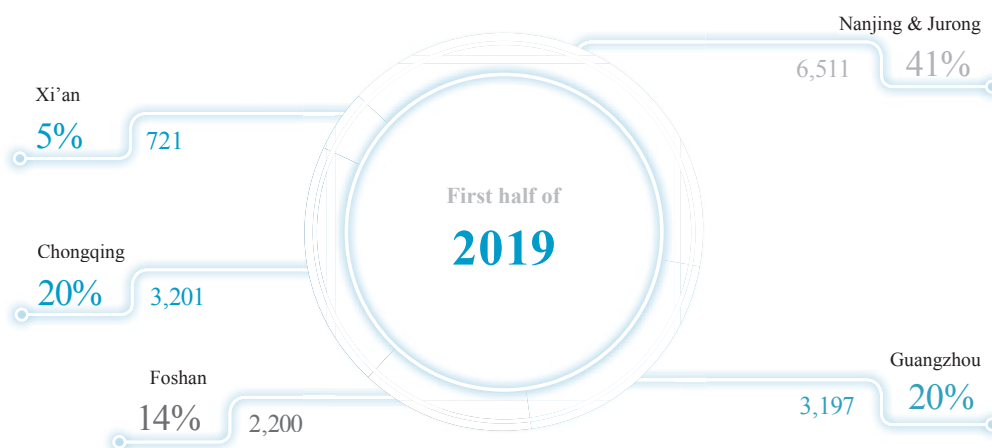
Contracted sales

For the first half of 2019, the Group, together with its associates and joint ventures, recorded contracted sales of approximately RMB15,830,042,000 from five cities and the saleable area sold was approximately 923,726 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 2019 are as follows:

Project	Total consideration (RMB million)	Total site area (sq.m.)	Total permissible area (sq.m.)	Average land premium (RMB/sq.m.)
Times Merchant Tianxi	988	43,518	116,087	8,514

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 2019, the net assets attributable to shareholders of the Group were approximately RMB8,192,683,000 (31 December 2018: RMB8,117,893,000). As at 30 June 2019, bank balances and cash was RMB9,220,775,000 (31 December 2018: RMB6,866,261,000). In terms of currency denomination, bank balances and cash can be divided into RMB9,072,524,000 in Renminbi, RMB2,661,000 in US\$ and RMB145,590,000 in Hong Kong dollars.

On 18 December 2018, the Company completed the issuance of senior bonds due 2021 in the aggregate principal amount of RMB1,900,000,000 bearing coupon rate of 4.6% per annum.

As at 30 June 2019, total interest-bearing debt of the Group was RMB20,860,672,000 (31 December 2018: RMB18,648,136,000). In terms of maturity, the outstanding total interest-bearing debt (excluding bonds payable) can be divided into RMB5,302,640,000 repayable within one year, RMB1,250,327,000 repayable after one year but within two years and RMB12,407,705,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB19,466,197,000 in Renminbi, RMB703,760,000 in Hong Kong dollars and RMB690,715,000 in US\$.

At 30 June 2019, 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 45% (31 December 2018: 50%). 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, those foreign currencies are mostly used in investments in Hong Kong, thus the foreign exchange risks are relatively low. 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.

NON-COMPETITION DEED

On 17 December 2018, an amended and restated non-competition deed was entered into between the Group and CMSK Group pursuant to which, among other things, (i) CMSK and its subsidiaries (excluding the Group) (“CMSK Group”) will not compete with the Group in the cities of Foshan, Guangzhou, Nanjing, and Jurong (the “Four CML Cities”) except for certain operation transitional assets (“Operation Transitional Assets”) located in Foshan which would be retained by CMSK Group but managed by the Group under certain operation agreement entered into between the Group and CMSK; (ii) with respect to Chongqing and Xi’an, the Company is considering to cease to conduct Property Business (other than participating in property related investments on a minority basis across the PRC (the “Non-Controlling Investment Arrangement”)) in and exit from such two cities in due course, depending on the results of an annual review process; (iii) CMSK Group will not compete with the Group in the cities of Chongqing and Xi’an unless the Group ceases to conduct Property Business (other than the Non-Controlling Investment Arrangement) in such cities; (iv) the Group will not compete with CMSK in 46 other cities in the PRC (“CMSK Cities”) except the Group will have the rights to participate in the Non-Controlling Investment Arrangement across the PRC (including the CMSK Cities); (v) the Group will also be entitled to conduct the Asset Management Business for office premises in Beijing and Shanghai exclusively, subject to the duly transfer of all equity interest of CMSK Group in Asset Management Business for office premises in Beijing and Shanghai to the Group (the “Proposed Transfer I ”); and (vi) the Company will no longer have the perpetual right of first refusal to conduct Property Business (the “Right of First Refusal”) for other cities in the PRC in which neither the Group nor the CMSK Group has a Property Business as at the date of the Non-Competition Deed (“Unoccupied Cities”).

For details, please refer to the announcement of the Company dated 17 December 2018 and the circular of the Company dated 10 January 2019.

OUTLOOK AND PROSPECTS

Looking forward to the second half of the year, domestic economic will continue to be exposed to significant downside risk, coupled with the failure of reaching concrete plan in spite of the restart of trade negotiation between China and the United States, the domestic and global supply chains will be accordingly affected. Facing the downside risk of economy, the central government will continue to adhere to the stable progress as the overall tone, and make efforts to achieve steady growth, promote reform, adjust structure, benefit people's livelihood, prevent risk and maintain stability so as to facilitate sustainable and healthy development. By firmly upholding the principles of "consolidation, enhancement, upgrade and smoothening", the central government will deepen supply-side structural reforms and enhance the industry capacity and the industry chain capability as well as determine to "stabilize employment, finance, foreign trade, foreign investment, investment and expectation".

In relation to the real estate market, it is expected that real estate will not be regarded as the short-term measures to stimulate the economy, while implementing the principle of "houses are for living and not for speculation" and establish an effective and long-term management mechanism at the same time. It is also anticipated that the market will remain stable and regulatory policies will be aiming at achieving stability. The overheated markets and prices in certain cities have been effectively curbed, signifying the effective implementation of city-specific regulatory policies, while such policies will be gradually turned to district-specific. In view of the intensifying city differentiation, the city-specific regulatory policies will be gradually turned to district-specific. In respect of financing, with the tightening financing channels in mainland China, it is expected medium and small real estate companies will be affected in a certain extent, while leading companies with abundant resources will gain a favourable position in financing and land acquisition, resulting in a higher market concentration. In face of the complicated and changing economic environment, the Group will maintain stable and cautious financial strategies, optimize financial structure, implement business plans effectively and deploy new businesses at a faster pace, such that the Group could effectively grasp market opportunities of shifting from production to stocking up and be able to flexibly respond to the changes in the market.

INTERIM DIVIDEND

No interim dividend was declared by the Directors for the six months period ended 30 June 2019 (the corresponding period of 2018: Nil).

PLEDGE OF ASSETS

As at 30 June 2019, lands located in Chongqing, Foshan, Nanjing and Jurong with carrying values of approximately RMB8,228,567,000 (2018: RMB4,549,627,000) has been pledged to secure bank borrowings amounting to RMB1,905,485,000 (2018: RMB1,216,586,000) granted to the Group.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounting to RMB7,614,501,000 as at 30 June 2019 (31 December 2018: RMB4,172,353,000).

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 2019, the Group had 829 (31 December 2018: 808) 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 2019 was approximately RMB155,926,000 (the corresponding period of 2018: RMB127,513,000). 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 2019.

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 2019 and since its adoption.

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

During the six months period ended 30 June 2019, 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 condensed consolidated financial statements for the six months period ended 30 June 2019, including the accounting principles and practices adopted by the Group.

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 2019, 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. 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. Xu Yongjun, the non-executive Directors and Mr. He Qi, the independent non-executive Directors, did not attend the annual general meeting (the “AGM”) of the Company held on 24 April 2019 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 24 April 2019 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 2019.

On behalf of the Board

XU Yongjun

Chairman

Hong Kong, 19 August 2019

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 Xiping and Mr. HE Qi as independent non-executive Directors.