China Vanke Co., Ltd.
2011 Interim Report

(For the six months ended 30 June 2011)

Important Notice:

The Board of Directors, the Supervisory Committee and the Directors, members of the Supervisory Committee and senior management of the Company warrant that in respect of the information contained in this report, there are no misrepresentations or misleading statements, or material omission, and individually and collectively accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

Chairman Wang Shi, Director Yu Liang, Director Sun Jianyi, Director Shirley L. Xiao, Independent Director Qi Daqing, Independent Director Zhang Liping, Independent Director Paul Chan Mo Po attended the board meeting in person. Deputy Chairman Qiao Shibo and Director Jiang Wei were not able to attend the board meeting in person due to their business engagements and had authorised Director Yu Liang to represent them and vote on behalf of them at the board meeting. Director Wang Yin was not able to attend the board meeting in person due to his business engagements and had authorised Director Shirley L. Xiao to represent him and vote on his behalf at the board meeting. Independent Director Hua Sheng was not able to attend the board meeting in person due to his business engagements and had authorised Independent Director Qi Daqing to represent him and vote on his behalf at the board meeting.

The Company's interim financial statements have not been audited.

Chairman Wang Shi, Director and President Yu Liang, and Executive Vice President and Supervisor of Finance Wang Wenjin declare that the interim financial statements contained in the interim report are warranted to be true and complete.

I. Basic Corporate Information

1. Company Name (Chinese): 万科企业股份有限公司 (“万科”)
   Company Name (English): CHINA VANKE CO., LTD. (“VANKE”)
2. Registered address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Office address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Website: www.vanke.com
   E-mail address: IR@vanke.com
3. Legal representative: Wang Shi
4. Secretary of the Board: Tan Huajie
   E-mail address: IR@vanke.com
   Securities Affairs Representative: Liang Jie
   E-mail address: IR@vanke.com
   Contact Address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Telephone number: 0755-25606666
   Fax number: 0755-25531696
5. Media for disclosure of information: “China Securities Journal”, “Securities Times”, “Shanghai Securities News”, “Securities Daily” and an English media in Hong Kong.
   Website for publication of the interim report: www.cninfo.com.cn
   Place for interim report collection: The Office of the Company’s Board of Directors
6. Stock exchange on which the Company’s shares are listed: Shenzhen Stock Exchange
   Company’s share abbreviation and stock codes on the stock exchange:
   Vanke A, 000002
   Vanke B, 200002
   08 Vanke G1, 112005
   08 Vanke G2, 112006

7. Major Financial Data and Indicators

Major Financial Indicators（Unit: RMB）

Financial Indicators	Jan.-Jun. 2011	Jan.-Jun. 2010	Change（+/-）
Revenue	**18,886,965,527**	**15,816,254,224**	**19.41%**
Profit from operating activities	6,001,032,670	4,759,015,616	26.10%
Share of profits less losses of associates and jointly controlled entities	7,773,409	94,439,940	-91.77%
Profit before income tax	5,866,823,818	4,840,884,715	21.19%
Income tax expense	(2,614,306,284)	(1,680,063,826)	55.61%
Profit for the period	3,252,517,534	3,160,820,889	2.90%
Profit attributed to minority	274,662,881	348,322,316	-21.15%
Profit attributable to equity shareholders of the Company	**2,977,854,653**	**2,812,498,573**	**5.88%**
Basic earnings per share	**0.27**	**0.26**	**3.85%**
Diluted earnings per share	0.27	0.26	3.85%

II. Change in Share Capital and Shareholdings of Major Shareholders

1. Change in Share Capital (as at 30 June 2011)

Unit: Share

Class of Share	Before the Change		Increase / decrease (+, -)	After the Change	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
I. Restricted Shares					
1. State-owned and State-owned legal person shares					
2. Shares held by domestic non-State-owned legal persons					
3. Shares held by domestic natural persons	19,364,778	0.18%	+2,311,646	21,676,424	0.20%
4. Shares held by foreign investors					
Total number of restricted shares	**19,364,778**	**0.18%**	**+2,311,646**	**21,676,424**	**0.20%**
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,660,889,972	87.86%	-2,311,646	9,658,578,326	87.84%
2. Domestic listed foreign shares (B shares)	1,314,955,468	11.96%	0	1,314,955,468	11.96%
Total number of non-restricted shares	**10,975,845,440**	**99.82%**	**-2,311,646**	**10,973,533,794**	**99.80%**
III. Total Number of Shares	**10,995,210,218**	**100.00%**	**0**	**10,995,210,218**	**100.00%**

Note: Change in the senior management staff of the Company during the reporting period led to corresponding change in the number of restricted tradable shares and non-restricted tradable shares of the Company.

2. The shareholdings of the Company's top 10 shareholders and the shareholdings of the top 10 holders of non-restricted shares (as at 30 June 2011)

Unit: Share

Total number of shareholders	1,018,112 (including 995,866 holders of A shares and 22,246 holders of B Shares)				
Shareholdings of the top 10 shareholders					
Name of shareholder	**Classification of shareholder**	**Percentage of shareholdings**	**Total number of shares held**	**Number of restricted shares held**	**Number of pledged or lock-up shares**
China Resources Co., Limited ("CRC")	State-owned legal person	14.73%	1,619,094,766	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
Bosera Theme Industry Stock Securities Investment Fund	Others	1.14%	125,043,403	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Others	0.98%	107,892,676	0	0
Bosera Value Growth Securities Investment Fund	Others	0.91%	100,000,000	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.79%	87,231,358	0	0
UBS AG	Others	0.73%	80,800,552	0	0
National Social Security Fund – Portfolio 103	Others	0.71%	78,040,223	0	0
Toyo Securities Asia Limited - A/C Client	Foreign shareholder	0.63%	69,347,376	0	0
Staff Committee of China Vanke Co., Ltd.	Others	0.61%	67,168,517	0	0

Shareholdings of the top 10 holders of non-restricted shares

Name of shareholder	**Number of non-restricted shares held**	**Class of shares**
CRC	1,619,094,766	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
Bosera Theme Industry Stock Securities Investment Fund	125,043,403	Ordinary RMB-denominated shares (A shares)
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	107,892,676	Ordinary RMB-denominated shares (A shares)
Bosera Value Growth Securities Investment Fund	100,000,000	Ordinary RMB-denominated shares (A shares)
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	87,231,358	Ordinary RMB-denominated shares (A shares)

UBS AG	80,800,552	Ordinary RMB-denominated shares (A shares)
National Social Security Fund – Portfolio 103	78,040,223	Ordinary RMB-denominated shares (A shares)
Toyo Securities Asia Limited - A/C Client	69,347,376	Domestic listed foreign shares (B shares)
Staff Committee of China Vanke Co., Ltd.	67,168,517	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	"Bosera Theme Industry Stock Securities Investment Fund", "Bosera Value Growth Securities Investment Fund" and "National Social Security Fund – Portfolio 103" are managed by Bosera Asset Management Co., Ltd. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under "the Measures for the Administration of the Takeover of Listed Companies" among the above-mentioned shareholders.	

3. Bond holdings of the Company's top 10 bondholders (as at 30 June 2011)

(1) Name of the top 10 bondholders of 08 Vanke G1 bonds and their bond holdings

No.	Bondholder	No. of bonds held
1	New China Life Insurance Company – Dividend Distribution – Individual Dividend – 018L-FH002 Shen	5,548,262
2	China Petroleum Finance Co., Ltd.	4,157,662
3	China Pacific Insurance (Group) Co., Ltd.	3,433,312
4	China Ping An Property and Casualty Insurance Company Limited – Traditional – General Insurance Products	2,698,727
5	China Life Insurance Company Ltd.	2,619,042
6	Taiping General Insurance Co., Ltd.	1,003,216
7	China Life Pension Company Ltd. – Internal Resources	1,000,000
8	CNPC Pension Scheme - ICBC	994,145
9	China Life Property and Casualty Insurance Company Ltd. – Traditional – General Insurance Products	820,000
10	China Property & Casualty Reinsurance Company Ltd.	776,162

Note: China Life Property and Casualty Insurance Company Limited, which manages "China Life Property and Casualty Insurance Company Ltd. – Traditional – General Insurance Products", and China Life Pension Company Limited, which manages "China Life Pension Company Ltd. – Internal Resources", are subsidiaries of China Life Insurance Company Limited. China Petroleum Finance Co., Ltd is the subsidiary of CNPC, which is the appointor of CNPC Pension Scheme – ICBC. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

(2) Name of the top 10 bondholders of 08 Vanke G2 bonds and their bondholdings

No.	Bondholder	No. of bonds held
1	ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund	2,196,450
2	Harvest Stable Earning Bond Securities Investment Fund	1,662,209
3	Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	1,230,000
4	China AMC Bond Investment Fund	1,117,021
5	China Ping An Trust & Investment Co. Ltd – CMB Furui Life Individual	902,223
6	National Social Security Fund – Portfolio 801	849,388
7	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients	826,141
8	China Ping An Trust & Investment Co., Ltd. – Bank Comm Furui Life Dividend Distribution	742,569
9	CNPC Pension Scheme - ICBC	615,886
10	China AMC Classic Allocation Fund	550,000

Note: "ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund" and "ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients" are managed by ICBC Credit Suisse Asset Management Co., Ltd. "China AMC Bond Investment Fund" and "China AMC Classic Allocation Fund" are managed by China AMC Fund. "China Ping An Trust & Investment Co. Ltd – CMB Furui Life Individual" and "China Ping An Trust & Investment Co. Ltd – Bank Comm Furui Life Dividend Distribution" are managed by China Ping An Trust & Investment Co. Ltd. Apart from the above-mentioned relationship, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

4. Changes in controlling shareholder and beneficial controller

There was neither controlling shareholder nor beneficial controller in the Company, and this situation remained the same during the reporting period.

III. Directors, Members of Supervisory Committee, Senior Management

1. Changes in the shareholdings of Directors, members of the Supervisory Committee and senior management during the reporting period

Unit: Share

Name	Capacity	31-Dec-2010	30-Jun-10
Wang Shi	Chairman	6,817,201	6,817,201
Yu Liang	Director, President	4,106,245	4,106,245
Ding Fuyuan	Chairman of the Supervisory Committee	2,018,408	2,018,408
Sun Jianyi	Director	692,236	692,236
Ding Changfeng	Executive Vice President	1,487,660	1,487,660
Xie Dong	Executive Vice President	1,487,660	1,487,660
Zhang Jiwen	Executive Vice President	1,548,950	1,548,950
Mo Jun	Executive Vice President	1,548,950	1,548,950
Shirley L. Xiao	Director, Executive Vice President	1,446,849	1,446,849
Wang Wenjin	Executive Vice President	1,343,591	1,343,591
Du Jing	Executive Vice President	735,812	735,812
Zhou Weijun	Executive Vice President	1,038,065	1,038,065
Yuan Boyin	Executive Vice President	207,664	207,664
Zhou Qingping	Member of the Supervisory Committee	20,000	20,000

Note: Save for the above-mentioned persons, other Directors, members of the Supervisory Committee and senior management of the Company did not hold any of the Company's shares.

2. Appointment of Directors, members of the Supervisory Committee and senior management of the Company during the reporting period

During the reporting period, Mr Wang Shi, Mr Qiao Shibo, Mr Yu Liang, Mr Sun Jianyi, Mr Wang Yin, Ms Shirley L. Xiao, Mr Jiang Wei were elected as the directors of the sixteenth session of the Board and Mr Qi Daqing, Mr Zhang Liping, Mr Paul Chan Mo Po and Mr Hua Sheng were elected as the independent directors of the sixteenth session of the Board at the Company's 2010 Annual General Meeting.

During the reporting period, Mr Xu Hongge and Mr Liu Aiming resigned as executive vice presidents of the Company. The Board appointed Mr Du Jing, Mr Zhou Weijun, Mr Yuan Boyin and Mr Mao Daqing as executive vice presidents.

IV. Directors' Report

1. Management Discussion and Analysis

Changes in market environment and the Company's judgment

Market adjustment continued to deepen during the reporting period. At the beginning of the year, the area of residential properties sold in major cities rose due to a relatively large amount of new projects put on sale at the end of 2010. However, market transactions sharply declined with the launch of a new round of policies and implementation of austerity measures in various regions. The sales area of commodity housing in 14 major cities (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Suzhou, Wuxi, Hangzhou, Nanjing, Beijing, Tianjin, Shenyang, Chengdu, and Wuhan) grew by 15.3 per cent in the first quarter of 2011 but dropped by 11.1 per cent in the subsequent quarter when compared with those of the corresponding periods of 2010. The sales area of commodity housing in five core cities (Beijing, Shanghai, Guangzhou, Shenzhen, and Hangzhou) during the first half of 2011 decreased by 3.8 per cent and 54.1 per cent respectively when compared with those of the corresponding periods of 2010 and 2009. When juxtaposed with the growth in new housing supply, the decline in transactions was even more significant. In the second quarter of 2011, the approved pre-sales area in the 14 cities increased by 78.3 per cent from that of the first quarter of 2011, while sales area of commodity housing decreased by 16.3 per cent from those of the first quarter.

With sales slowdown and increased new housing supply, the inventory of new housing units in major cities has been on an upward trend since the beginning of the year. Moreover, affected by such policies as purchase restriction, credit control, sales restriction on residential properties, the nature of customer demand was also changing. While there were continued restraint on investment-driven residential property purchase and slowdown in sales of high end products, the proportion of sales of ordinary commodity housing to first time home buyers and buyers for improving living conditions for the first time continued to increase. Intensified market competition had made enterprises attach greater importance to their operational capabilities including product positioning, price competitiveness, and sales and marketing strategy.

History shows that the availability of statistics on investment in property development might lag behind to a certain extent. Although the growth rate of investment in property development across the country during the first half of the year remained at a high level of 32.9 per cent, indicating no significant change from that of the same period last year, the growth rate of investment in core cities had sharply declined when compared to that year-on-year. The property investment growth rate in Beijing slid from 24.1 per cent in the full year of 2010 to 3.7 per cent in the first half of 2011, and in Shanghai, the growth rate dropped from 35.5 per cent to 9.4 per cent. A similar situation occurred in the second quarter of 2008 (in the second quarter of 2008, the growth rate of investment in property development across the country was 34 per cent, while that in the five core cities was 7 per cent). The impact of market fluctuation on enterprises' investment capability and desire to invest may be reflected in statistics that will be available in subsequent periods, while the implications of investment and construction slowdown may be manifested in the housing supply in the following year.

Since the beginning of 2011, China's central bank had thrice raised the RMB benchmark deposit and lending rates, leading to a year-on-year decrease in the scale of all kinds of financing in the first half of the year and further credit crunch. According to statistics on the sources of property investment capital, the year-on-year growth rate in domestic loans during the first half of 2011 was 6.8 per cent, which was close to the historical low in the second half of 2008. The tightening of funding sources has posed challenges to an enterprise's capital strength and financial stability. Yet, the tightening of capital flow may also give rise to opportunities for project development. In this respect, enterprises with relatively sufficient capital resources could leverage this advantage.

During the reporting period, the land market cooled down as enterprises became increasingly prudent in investment. In the 16 major cities where statistics are accessible by the public (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Wuhan, Chengdu, and Chongqing), the area of land for residential use put on sale and sold in the first half of 2011 dropped by 18.5 per cent and 25.3 per cent respectively from those of corresponding period of last year, and decreased by 50.4 per cent and 39.0 per cent from those of the second half of 2010. Although failed auctions were not often seen, transactions completed at the reserve price became a commonplace. With further manifestation of the relevant policies' implications, adjustment in the land supply market will continue. Those cities experiencing severe corrections are expected to offer favourable opportunity for the Group's land acquisition. The Company will maintain its prudent investment approach and react to these opportunities with flexibility.

The Company's operation and management

On the front of product positioning, the Company continued to focus on mainstream products, including housing units that target end-users and small and mid-sized ordinary residential properties. The Company had also adhered to its quick turnover strategy and considered the speed of sales as a major control indicator of sales performance. The Company reported satisfactory sales performance, with products sold during the period composed mainly of furbished units, in response to the needs of end users. During the first half of 2011, the Company realized a sales area of 5,655,000 sq m, with a sales amount of RMB65.65 billion, representing increases of 76.7 per cent and 78.6 per cent respectively from those of the corresponding period of 2010. For the first half of 2011, the Company's sales amount accounted for 2.67 per cent of the sales amount of commodity housing in the PRC.

Owing to variation in project completion dates, this year the majority of the residential units already sold but not yet booked are going to be completed in the fourth quarter, only a limited amount of area was booked during the first half of the year. During the reporting period, the Company realized a revenue of RMB18.89 billion, with a net profit of RMB2.98 billion, representing increases of 19.4 per cent and 5.9 per cent respectively from those of the corresponding period of last year. The Company's booked area and booked revenue amounted to 1,383,000 sq m and RMB18.1 billion respectively, representing a decrease of 8.1 per cent and an increase of 16.6 per cent respectively from those of the corresponding period of last year. In view of the gradual completion and recognition of projects in the fourth quarter, the year-on-year growth rate of the booked area for the full year 2011 is expected to be significantly higher than that of the first half of the year.

Owing to the time lag between revenue recognition and sales, there was a further increase in area sold but not yet booked during the reporting period. As at the end of the reporting period, included in the consolidated statements was an area of 10.22 million sq m sold but not yet booked, with an aggregate contract amount of approximately RMB118.7 billion.

As the Company's product positioning was in line with the prevailing market demand characteristics, the Company continued to maintain a good inventory structure. As at the end of the reporting period, among the Company's different types of inventories, completed properties (properties ready for sale) accounted for only 2.8 per cent.

During the period under review, the booked gross margin of the Company's property business was 33.9 per cent, which was higher than 31.9 per cent achieved in the same period last year as a result of the composition of the booked area. The net margin was 15.8 per cent, which was slightly lower than 17.8 per cent for the same period last year. The decrease in net margin was mainly due to the substantial increase in sales and distribution expenses and administrative expenses, as a result of a significant year-on-year growth in sales in the first half of 2011. During the reporting period, the Company continued to strengthen its cost control. The administrative expenses in the first half of 2011 accounted for 1.38 per cent of the sales amount, representing a decrease of 0.19 percentage point year-on-year, while the sales and distribution expenses accounted for 1.46 per cent of the sales amount, representing a decrease of 0.19 percentage point year-on-year.

At the beginning of the year, the Company estimated that the floor area commencing construction of existing projects would amount to 13,290,000 sq m for the full year. As at the end of June 2011, the actual floor area commencing construction amounted to 7,590,000 sq m. As the Company's current inventory level remains healthy, it has not made any adjustment to its planned area commencing construction for the full year. However, in order to be able to respond to possible changes in the market environment, the Company will strengthen its research on changes in customers' demand under new market conditions, while adhering to its mainstream product positioning. The Company will flexibly adjust its product mix, improve decoration of its furbished units and raise price-performance.

During the reporting period, the Company added 22 newly developed projects. The site area of the newly added projects attributable to China Vanke's equity holding amounted to approximately 2.22 million sq m (the planned GFA attributable to China Vanke's equity holding amounted to approximately 4.23 million sq m). The average premium of the floor area was around RMB2,823/sq m. The Company also took part in four city rejuvenation projects. According to the current planning conditions, the site area of these projects attributable to China Vanke's equity holding amounted to approximately 510,000 sq m (the planned GFA attributable to China Vanke's equity holding amounted to approximately 1.61 million sq m). The estimated average redevelopment costs and premium of the floor area was around RMB1,729/sq m. As at the end of the reporting period, the planned GFA attributable to China Vanke's equity holding amounted to 35,850,000 sq m. In the first half of the year, the Company entered the markets of Wuhu, Qinhuangdao, Taiyuan and Jizhong. Up till now, the Company has established presence in 50 cities, further consolidating and strengthening its edge in geographical diversification. In the second half of the year, the Company will keep an eye on any possible adjustments in the land market and take a flexible approach in capturing opportunities for land acquisition while adhering to a prudent investment principle. In order to drive business development, the Company will actively explore innovative collaboration mechanisms. Through a balanced risk-benefit collaborative model, the Company will strive to effectively allocate social resources to maximise their utilisation.

Since the beginning of the year, the overall capital flow has been tightened. As the Company has always pursued stable operations, it was able to maintain a healthy financial position. The Company's prudent investment strategy and better-than-market sales performance had further increased its capital strength. As at the end of the reporting period, the Company's cash and cash equivalents amounted to RMB40.78 billion, which represented an 9.7 per cent increase from that at the end of the first quarter of 2011 and was significantly higher than the sum of RMB23.04 billion of short-term borrowings and long-term borrowings due within one year. Total liabilities after deducting advance receipts accounted for 36.9 per cent of total assets. Net gearing ratio continued to remain at a relatively low level of 20.8 per cent. The sound financial and cash position ensures the Company's safe and stable operations. In addition, it allows the Group to take advantage of the opportunities arising from a changing market environment. In order to enhance the efficiency of capital utilisation, the Company will, for a long period of time in the future, make it a priority to tie investment, financing in with project operation. It will actively expand funding sources, rationally seize the right moment for investment and continues to optimise capital management.

Expansion in the scale of construction has brought new challenges to the Company with respect to quality of construction works. Faced with these challenges, the Company has strengthened its standardised systems and quality consciousness, while making attempts to form strategic collaboration with formidable construction companies. All these were aimed to turn challenges brought by scale to economies of scale. During the reporting period, the Company entered into strategic collaboration agreement with China Construction Fourth Engineering Division Corporation. The agreement signifies the Company's significant step in developing large-scale strategic main contracting.

During the reporting period, the Company continued to realise its green strategy and promote energy saving and environmental protection in the residential market. Starting from June 2011, all the Company's new construction projects meeting planning conditions are designed and constructed in accordance with standards not lower than those set for One-Star green building. In addition, the Company has started to prepare for the construction of a green construction park in Beijing and has signed a memorandum of understanding with UK-based BRE (Building Research Establishment) for collaboration on this project. Upon completion, the project will become the world's largest eco-friendly architecture park and the most advanced platform for promoting green ideology in the PRC. Such a move will further enhance the edges of China Vanke's products in green architecture.

In the first half of the year, the Company approved and implemented "A-Share Stock Option Incentive Scheme". The introduction of the Stock Option Incentive Scheme will complement the Company's incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company's corporate governance structure.

Talents are society's assets. In different stages of life, managers may also pursue more enriching experiences and their diverse dreams. With the continued development in the industry, professional management staff are faced with more opportunities, and their turnover rate therefore increases. In the first half of 2011, two executive vice presidents left the Company to start their own business or pursue other endeavours. While this shows that professional managers from China Vanke are recognised by society, it also alerts the Company to pay more attention to competition for talents. In order to attract and retain high calibre people, the Company will further strengthen its corporate culture and competitive edge in institution establishment. Meanwhile, it will continue to explore ways to fine-tune its remuneration and incentive mechanism, so as to increase its talent attraction. The Company will also put more emphasis on recruitment and training of human resources, as well as team building among the management staff. All these are to ensure the free choice of managers and the Company's stable operation are appropriately balanced.

In the first half of the year, the Company was named as "The Most Respectable Enterprise in China" by Economic Observer and Management Case Center of Peking University for the 8th consecutive time. The Company also won the No. 1 title of the "Top 10 Among China's Leading 100 Property Developers in 2011, Overall" selected by Enterprise Research Institute of the Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy. In addition, the Company was named as one of the "Best Employers in China 2011" by global renowned human resources management and consulting company Aon Hewitt.

Subsequent events:

Beijing Vanke Company Limited, a wholly-owned subsidiary of the Company, and Minmetals Land Limited jointly established Langfang Wenheng Shengye Real Estate Development Co., Ltd. (廊坊万恒盛业房地产开发有限公司) and Langfang Kuangshi Jiye Real Estate Development Co., Ltd. (廊坊旷世基业房地产开发有限公司) for the development of the Xianghe Huanqing City Project acquired through the open market in 2010. As the local government had violated the laws in the transfer process of the land for the relevant project, it rectified its mistakes and decided to rescind the transfer of the land for the project after the reporting period, and made full compensation the companies to ensure that their legitimate interests were not prejudiced. This incident will not have significant impact on the Company.

2. Principal operations of the Company during the reporting period

(1) The scope and operations of the Company's core business

Due to variation in project completion dates, the completed area from January to June was 1,070,000 sq m, representing 14.7 per cent of the planned completed area of 7,290,000 sq m for the full year of 2011. Affected by this factor, the booked area of the Company for the first half of the year was 1,383,000 sq m, representing a decrease of 8.1 per cent when compared with that of the same period last year. The booked revenue amounted to RMB18.1 billion, representing an increase of 16.6 per cent from that of the same period last year, which was considerably lower than the growth rate of sales. With more projects to be completed and booked in the fourth quarter of 2011, it is expected that the growth rate of the booked revenue for the full year will be significantly higher than that of the first half of 2011.

Since the projects booked in the first quarter of 2011 were mostly concentrated in cities such as Shanghai, Guangzhou and Shenzhen, with gross margin of 35.1 per cent, the gross margin of the Company's property business for the first half of 2011 was 33.9%, representing an increase of 2.0 percentage points when compared with that of the same period last year.

Unit: RMB '000

Sector	Revenue		Cost of sales		Gross margin	
	Amount	Change	Amount	Change	%	Change
Property sales	18,371,709.03	18.40%	10,714,956.40	9.20%	33.94	Up by 2.00 percentage point
Property management	515,256.50	71.93%	283,975.82	21.08%	44.89	Up by 23.15 percentage point
Total	**18,886,965.53**	**19.41%**	**10,998,932.22**	**9.48%**	**34.24**	Up by 2.49 percentage point

Note: Business tax and surcharges had been deducted from the gross margin.

（2）Comparison of major assets & liabilities and key operating indicators

Item	30-Jun-11	31-Dec-10	Change (+/-)	Reasons for change
Investment properties	190,561.41	129,176.20	47.52%	Increase in investment properties
Interest in associates	1,559,140.90	1,035,875.90	50.51%	Increase in investment for associates entities
Properties under development	111,704,090.57	78,982,068.16	41.43%	Increase in newly added projects
Completed properties for sale	4,752,181.45	5,290,716.12	-10.18%	Delivery of more properties
Loans and borrowings (Current)	23,039,093.71	16,783,690.79	37.27%	Change in debt structure
Trade and other payables	143,679,994.56	106,138,344.68	35.37%	Increase in investment for the development of projects with associates and jointly controlled entities

Item	Jan-Jun2011	Jan-Jun2010	Change(+/-)	Reasons for change
Revenue	18,886,965.53	15,816,254.22	19.41%	Increased in sales from property development
Distribution expenses	956,748.19	606,401.58	57.77%	Enlargement of sales scale
Administrative expenses	904,669.17	575,447.94	57.21%	Expansion of the Company
Finance costs	517,591.64	386,171.72	34.03%	Relatively increase in interest cost
Share of profits less losses of associates	30,061.45	17,667.87	70.15%	More profits recognised from associates
Share of profits less losses of jointly controlled entities	(22,288.04)	76,772.07	-129.03%	Less profits recognised from jointly controlled entities
Income tax expense	2,614,306.28	1,680,063.83	55.61%	Increased in booked revenue

（3）the Company's core business by investment region

Region	Booked area (sq m)	Percentage	Booked revenue ('000)	Percentage	Revenue from core businesses ('000)	Percentage	Net profit ('000)	Percentage
Shenzhen Region	441,585	32%	6,779,366	37%	7,026,267	38%	1,308,841	41%
Shanghai Region	325,849	24%	6,304,577	35%	6,331,342	34%	1,402,103	44%
Beijing Region	309,342	22%	2,876,117	16%	2,876,117	16%	343,474	11%
Chengdu Region	305,903	22%	2,137,983	12%	2,137,983	12%	133,945	4%
Total	**1,382,679**	**100%**	**18,098,043**	**100%**	**18,371,709**	**100%**	**3,188,363**	**100%**

Note: Cities in which projects had been booked: Shenzhen region including Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Xiamen, Fuzhou, Haikou and Changsha; Shanghai region including Shanghai, Hangzhou, Suzhou, Wuxi, Nanjing, Ningbo and Nanchang; Beijing region including Beijing, Shenyang, Dalian, and Changchun; Chengdu region including Chengdu, Wuhan and Chongqing.

3. Investment of the Company

(1) Use of proceeds from the capital market

Public issue of A Shares in 2007

Having obtained the approval from the relevant authorities, the Company issued a prospectus regarding the public issue of A shares on 22 August 2007. The Company issued 317,158,261 shares (par value: RMB1 per share) at an issue price of RMB31.53 per share, raising proceeds of RMB9,999,999,969.33. After deducting issuing expenses of RMB63,398,268.11, the net proceeds amounted to RMB9,936,601,701.22 and were received on 30 August 2007. Shenzhen Nanfang-Minhe CPA Firm Co., Ltd (深圳南方民和会计师事务所) had prepared and filed a capital verification report (Shen Nan Yan Zi (2007) No. 155).

Details on the investment amount, investment gain, development progress of the projects as at the end of the reporting period are as follows:

Unit: RMB'000

Total amount of proceeds	9,936,600		Funds used for investment during the reporting period			173,560	
			Accumulated funds used			9,780,548	
Investment projects	Is there any change in project	Planned investment	Funds used for investment during the reporting period	Accumulated funds used	Investment progress	Income realised	Does it achieve estimated income	Significant change in feasibility
Jinse Yazhu (former Zhonglin Project), Shanghai	No	700,000	0	700,000	100%	272,497	Yes	No
Wujiefang Project, Pudong, Shanghai	No	1,200,000	125,440	1,185,790	98.82%	(4,979)	Yes	No
West Spring Butterfly Garden (former Jiangcun Project), Hangzhou	No	700,000	0	700,000	100%	357,493	Yes	No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000	0	1,700,000	100%	469,645	Yes	No
Golden Town Project, Yinzhou District, Ningbo	No	1,636,600	0	1,636,600	100%	937,483	Yes	No
The Dream Town (former Nanzhuang Project), Foshan	No	900,000	0	900,000	100%	400,242	Yes	No
Everest Town (former Science City H3 Project), Guangzhou	No	600,000	0	600,000	100%	151,543	Yes	No
The Paradiso (former Jinshazhou Project), Guangzhou	No	800,000	0	800,000	100%	333,067	Yes	No
Zhuhai Hotel Project, Xiangzhou District, Zhuhai	No	650,000	9,460	649,500	99.92%	179,904	Yes	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	38,660	508,658	78.26%	-	Yes	No
Stratford (former Huangjiayu Project), Nanjing	No	400,000	0	400,000	100%	46,498	No	No
Total	No	**9,936,600**	**173,560**	**9,780,548**	**98.43%**	**3,143,393**	**Yes**	**No**
Remarks on delay and failure to achieve estimated income (by project)	1) The work progress of Nanjing Anpin Street Project was affected due to the government's plan to preserve the city's heritage. The Company has finished the progress of submitting planning and construction reports for approval. The overall development plan of the project has been adjusted accordingly. 2) All the units of Stratford Project in Nanjing were basically sold out and delivered in 2010. Accumulative net margin of the Stratford Project was 9.95%. Although the income generated from this project did not reach the estimated level stated in the prospectus, the income of other projects financed by the raised proceeds exceeded the estimated level. It is expected that the overall return from the projects financed by the raised proceeds will be higher that the estimated level stated in the prospectus.							
Remarks on reasons and procedures for changes (by project)	No changes							
Application of the balance of the proceeds	As of 30 June 2011, the Company had applied RMB9,780.55 million of the proceeds in accordance with the prospectus. The amount represented 98.4% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB156.05 million will be applied in accordance with the progress of project development.							

(2) Use of capital not from the capital market
A. Major equity investment

1) During the reporting period, the Company promoted and established 14 new subsidiaries, each with registered capital of over RMB30 million. The details are as follows:

Unit: '000

No.	Company	Currency	Registered capital (original currency)	Actual investment by China Vanke (RMB)	Scope of business
1	Nantong Vanke Investment Co., Ltd. (南通万科投资有限公司)	RMB	50,000.00	50,000.00	Property development
2	Wuhu Vanke Wanjia Real Estate Co., Ltd. (芜湖万科万嘉房地产有限公司)	RMB	30,000.00	30,000.00	Property development
3	Wuhu Vanke Wandong Real Estate Co., Ltd. (芜湖万科万东房地产有限公司)	RMB	30,000.00	30,000.00	Property development
4	Wenzhou Vanke Litian Property Co., Ltd. (温州万科力天置业有限公司)	RMB	50,000.00	50,000.00	Property development
5	Qinhuangdao Vanke Real Estate Development Co., Ltd. (秦皇岛万科房地产开发有限公司)	RMB	60,000.00	60,000.00	Property development
6	Dalian Vanke Paradiso Development Co., Ltd. (大连万科金域蓝湾开发有限公司)	USD	200,000.00	720,000.00	Property development
7	Shenyang Vanke Dongban Property Co., Ltd. (沈阳万科东阪置业有限公司)	RMB	1,700,000.00	1,105,000.00	Property development
8	Tianjin Vanke Jiangjian Property Investment Co., Ltd.(天津万科疆建置业投资有限公司)	RMB	100,000.00	51,000.00	Property development
9	Chongqing Wanxu Property Co., Ltd. (重庆万旭置业有限公司)	RMB	225,000.00	225,000.00	Property development
10	Jiangxi Vanke Yida Property Investment Co., Ltd. (江西万科益达置业投资有限公司)	RMB	100,000.00	50,000.00	Property development
11	Changchun Vanke New City Real Estate Development Co., Ltd. (长春万科新城房地产开发有限公司)	RMB	100,000.00	51,000.00	Property development
12	Rizhao Vanke Real Estate Development Co., Ltd. (日照万科房地产开发有限公司)	RMB	100,000.00	100,000.00	Property development
13	Zhejiang ZhenanVanke Real Estate Co., Ltd. (浙江浙南万科房地产有限公司)	RMB	100,000.00	100,000.00	Property development
14	Chengdu Vanke Kaibin Land Planning and Design Co., Ltd. (成都万科凯宾土地整理有限公司)	USD	130,000.00	176,000.00	Land planning and design
Total				**2,798,000.00**	

In addition, the Company had established another 21 new subsidiaries, with a total amount of investment of RMB194.25 million.

2). The companies that the Company acquired during the reporting period are as follows:
A. On 1 April 2011, the Company acquired 100% equity interests of Guangzhou Panyu Xiangxin Real Estate Co., Ltd. for a total cash consideration of RMB3.1 billion.
B. On 9 May 2011, the Group acquired 100% equity interests of Hong Kong Future Vision Investment Ltd. (香港鸿弘投资有限公司) for a total cash consideration of USD22.66 million.
C. On 9 March 2011, the Company acquired 100% equity interests of Wuhan Yongli Property Co., Ltd. for a total cash consideration of RMB36 million.

During the reporting period, the Company acquired another 7 companies for a total consideration of RMB24.69 million.

3）In order to support the business development of its majority-owned subsidiaries, the Company increased the capital of 12 companies by approximately RMB1,632 million during the reporting period. Of the total amount, RMB1,040 million was for Guangzhou Wanyi Real Estate Co., Ltd., RMB225 million for Beijing

Zhuzong Vanke Real Estate Development Co., Ltd., and RMB180 million for Hefei Vanke Property Co., Ltd.

⑵ Other investments

During the reporting period, the Company acquired 22 new projects, with a site area attributable to China Vanke's equity holding of approximately 2,220,000 sq m (planned GFA of approximately 4,230,000 sq m). Details of the projects are as follows:

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Shenzhen	Langqi Project	Longgang	100%	41,487	22,380	22,380	Pre-construction
Dongguan	Spring Dew Mansion	Tangxia Town	51%	128,144	256,129	130,626	Pre-construction
Dongguan	Land Lot Nos. 1-3 of Songhu Center	Songshan Lake Zone	34%	95,506	73,872	25,116	Pre-construction
Dongguan	Land Lot No. 4 of Songhu Center	Songshan Lake Zone	25%	30,084	30,084	7,521	Pre-construction
Guangzhou	Sunshine City	Panyu	100%	340,002	570,743	570,743	Pre-construction
Shanghai	Jiading Juyuan Project	Jiading	100%	90,013	180,026	180,026	Pre-construction
Shanghai	Songjiang Ledu Road Project	Songjiang	100%	67,932	108,691	108,691	Pre-construction
Hangzhou	Fuyang Golf Land Lot A	Fuyang	20%	69,941	104,912	20,982	Pre-construction
Hangzhou	Fuyang Golf Land Lot B	Fuyang	20%	69,989	83,987	16,797	Pre-construction
Hangzhou	Fuyang Golf Land Lot C	Fuyang	20%	68,244	68,244	13,649	Pre-construction
Hangzhou	Fuyang Golf Land Lot D	Fuyang	20%	59,933	59,933	11,987	Pre-construction
Suzhou	Golden Milestone Project	Jinchang	49%	99,093	247,732	121,389	Pre-construction
Suzhou	Mudu Quemeibin Project	Wuzhong	55%	144,535	361,338	198,736	Pre-construction
Wuhu	The Dream Town,	Jiujiang	100%	274,404	493,926	493,926	Under construction
Tianjin	East Coast	Binhai New District	51%	255,000	382,500	195,075	Pre-construction
Qinhuangdao	Holiday Town	Qinhuangdao	48%	270,549	642,357	308,331	Under construction
Shenyang	Tomorrow Square	Hunnan New District	65%	199,319	597,957	388,672	Pre-construction
Changchun	Jingyue Dream Town	Jingyue Development Zone	51%	350,965	1,048,330	534,648	Pre-construction
Qingdao	Qingdao Town	Jiaonan City	34%	938,849	719,522	244,637	Pre-construction
Taiyuan	Jinyu International	Wanbolin	100%	49,407	173,075	173,075	Pre-construction
Jinzhong	University City Project	Yingze	51%	218,143	486,180	247,952	Pre-construction
Xi'an	Land Lot No. 3 of Dream Town	Chang'an	60%	113,231	352,803	211,682	Pre-construction
Total				**3,974,770**	**7,064,721**	**4,226,641**	**—**

In addition, the Company was involved in four urban redevelopment projects during the reporting period. According to the current planning conditions, the site area attributable to China Vanke's equity holding amounted to approximately 510,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 1,610,000 sq m).

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Shenzhen	Shajing Project	Baoan	55%	77,265	254,930	140,212	Under construction
Taiyuan	Zitai (紫台)	Yingze	51%	95,687	334,876	170,787	Pre-construction
Wuhan	Changzheng Village Project	Hongshan	100%	282,235	871,721	871,721	Pre-construction
Wuhan	Vanke Golden City Package B	Hongshan	100%	138,500	426,072	426,072	Pre-construction
Total				**593,687**	**1,887,599**	**1,608,792**	–

From the end of the reporting period to the date of announcement of this report, the Company acquired five new projects, with site area attributable to China Vanke's equity holding of 310,000 sq m (the planned GFA attributable to China Vanke's equity holding was 617,000 sq m) . Details are as follows:

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Nanjing	Pukou Yanshan Avenue Project	Pukou	100%	62,300	100,000	100,000	Pre-construction
Changsha	Gaozheng Project	Yuhua	60%	40,360	177,043	106,826	Pre-construction
Putian	Phase I, Pilot District of Yuhu New City]	Licheng	100%	148,010	302,290	302,290	Pre-construction
Dalian	Xishan Villa Project	Ganzijin	55%	90,400	113,300	62,315	Pre-construction
Tianjin	Shilinyuan Project	Jinnan	40%	63,600	114,500	45,800	Pre-construction
Total				**404,670**	**807,133**	**617,231**	**—**

In addition, the Company was recently involved in one more urban redevelopment project. According to the current planning conditions, the site area attributable to China Vanke's equity holding amounted to 15,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 92,000 sq m). Details are as follows:

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Chengdu	Vanke Diamond Plaza (万科钻石广场)	Chenghua	100%	15,404	92,422	92,422	Pre-construction

4. Comparison between the actual operating results during the reporting period and the planned targets at the beginning of the period

The Company's actual operating results during the reporting period did not deviate much from the planned targets at the beginning of the period.

V. Significant events

1. Corporate governance

As one of the first batch of companies listed in the PRC, the Company has always abided by its corporate values: to pursue simplicity, to be transparent, to be regulated and to be responsible. It continues to explore ways to raise its corporate governance standard. With a foundation built on sound corporate governance, China Vanke has established long-standing trust and win-win relationships with its investors.

The Company continued to persist in maintaining complete independence from its single largest shareholder, CRC, and its connected companies in respect of business operation, staff, assets, organisation and finance, to ensure independence in its business integrity and operation autonomy. The Company had not taken any actions that violated the code on corporate governance practices such as reporting to CRC on any undisclosed information.

The Company had strengthened the management of inside information. During the period under review, no insider who had access to inside information had violated the laws to engage in insider trading. There had been no discrepancy between the Company's governance and the relevant requirements of China Securities Regulatory Commission.

As a key pilot company to implement the Notes on Basic Criteria of Enterprise Internal Control and its implementation guidelines, the Company had proactively enhanced its internal control. During the reporting period, the Company formulated a proposal on the implementation of the Basic Criteria of Enterprise Internal Control, which was announced upon approval by the Board. The Company set up a committee for the development of internal control in order to incorporate the implementation of the Basic Criteria of Enterprise Internal Control into the Company's internal control system. The Company adopted a management approach of "effective internal control" and attached great importance to taking effective actions to eliminate or minimise actual risks, in order to improve overall internal control. The Company appointed KPMG Huazhen Certified Public Accountants to perform audit of internal control. During the reporting period, the Company organised meetings on the implementation of the Basic Criteria of Enterprise Internal Control and organised several staff training programmes on internal control to increase awareness and understanding of internal control within the Company. China Vanke also requested all the departments at the headquarters and frontline companies to complete the mapping of their existing internal control standards against the Basic Criteria of Enterprise Internal Control. The Company compared the existing system with each of the requirements specified in the relevant documents of the Basic Criteria of Enterprise Internal Control, especially the 18 implementation guidelines, and compiled records of the mapping results. Those aspects of the existing system that deviated from the Basic Criteria had been rectified. In future, the Company will push ahead with the implementation of the Basic Criteria of Enterprise Internal Control according to the implementation proposal, in order to enhance internal control and assessment ability and further improve its corporate governance.

2. Implementation of the Company's proposal on dividend distribution for the previous year and profit appropriation for the interim period of 2011

Proposal on dividend distribution for the year 2010 was approved at the 2010 Annual General Meeting held on 31 March 2011. The proposal on the dividend distribution was: based on the total share capital as at the close of the market on the record date of the Company, a cash dividend of RMB1.0 (including tax; after deducting tax, a cash dividend of RMB0.9 would be paid for every 10 existing shares beneficially held by individual shareholders, investment funds and non-resident enterprises holding A shares; for individual shareholders and non-resident enterprise shareholders holding B shares, a cash dividend of RMB0.9 would be paid for every 10 existing shares held) would be paid to all the shareholders on the basis of every 10 existing shares held.

The aforesaid proposal was implemented during the reporting period: the record date for A shares was 26 May 2011, and ex-dividend date was 27 May 2011, while the last trading day of B shares was 26 May 2011, ex-dividend date was 27 May 2011, and the record date was 31 May 2011. For details on the implementation of the proposal, please refer to the announcement published in China Securities Journal, Securities Times, Shanghai Securities News, www.cninfo.com.cn and irasia.com on 20 May 2011.

The Company will not carry out profit appropriation nor the transfer of capital surplus reserve to share capital for the interim period of 2011.

3. Implementation of the A-Share Stock Option Incentive Scheme

(1) Relevant procedures for the implementation of the A-Share Stock Option Incentive Scheme and overview of the scheme

The twelfth meeting of the fifteenth session of the Board of China Vanke held on 21 October 2010 approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Draft). The scheme had been filed with China Securities Regulatory Commission. After revisions by the Company, the A-Share Stock Option Incentive Scheme (Revised Draft) (the “Scheme”) was submitted to the Board and was approved through voting by correspondence on 18 March 2011. China Securities Regulatory Commission has no objection to the Scheme. On 8 April 2011, the first extraordinary general meeting of the Company in 2011 was held and approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Revised Draft). Implementation of the Scheme thus commenced.

The A-Share Stock Option Incentive Scheme uses stock option as an incentive instrument. Each stock option confers the right to purchase one A-share of China Vanke at the exercise price within the designated exercise period. When the Company and the beneficiaries of the Scheme fulfil the conditions for granting the options, the Company will grant stock options to the beneficiaries according to the Scheme. No stock options should be exercised during the vesting period, which is one year from the grant date. Thereafter, the granted stock options can be exercisable in three exercise periods. 40% of the options granted shall be exercisable during the first exercise period, another 30% and the remaining 30% shall be exercisable in the second and third exercise periods respectively. The right to exercise the stock options in each corresponding exercise period is subject to the fulfilment of the vesting conditions by the Company and the beneficiaries of the Scheme. The stock options will lapse if they fail to vest because the performance targets are not achieved and if they are not exercised even after the expiry of the exercise periods.

The schedule for exercising the stock options is as follows:

Stage	Schedule	Percentage of options exercisable
First exercise period	A period commencing from the first trading day after a 12-month period commencing from the grant date up to the last trading day of the 36 months from the grant date of the Scheme	40%
Second exercise period	A period commencing from the first trading day after a 24-month period commencing from the grant date up to the last trading day of the 48 months from the grant date of the Scheme	30%
Third exercise period	A period commencing from the first trading day after a 36-month period commencing from the grant date up to the last trading day of the 60 months from the grant date of the Scheme	30%

(2) Options granted under the A-Share Stock Option Incentive Scheme

The second meeting of the sixteenth session of the Board of China Vanke held on 18 April 2011 approved the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme. The meeting confirmed that the conditions for granting stock options under the A-share Stock Option Incentive Scheme had been fulfilled and determined 25 April 2011 as the date of grant of stock options. The seventh Supervisory Committee of China Vanke had verified and given its opinion on the list of beneficiaries of the Scheme.

On 9 May 2011, the registration of the grant of stock options under the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. was completed. The Company granted an aggregate of 108,435,000 stock options to 810 beneficiaries. The maximum number of shares that may be issued upon the exercise in full of all the granted stock options in future represent 0.9862 per cent of the Company’s current total issued share capital.

The abbreviation of the stock options granted under the Scheme is VankeJLC1, and the stock option code is 037015.

(3) Adjustment of exercise price of stock options and the implementation procedures for the A-Share Stock Options Incentive Scheme during the reporting period

The initial exercise price of the stock options under the A-Share Stock Options Incentive Scheme was RMB8.89, which was subject to adjustment according to the relevant requirements of the Scheme should distribution of dividends, transfer of capital surplus reserve to share capital or other conditions occur within the validity period.

On 27 May 2011 the Company implemented the proposal on dividend distribution for the year 2010. A cash dividend of RMB1.0 (including tax) would be paid to all the shareholders on the basis of every 10 existing shares held. Pursuant to the resolution regarding granting the Board the authority to handle matters relating to the Company's Stock Option Incentive Scheme approved by the first extraordinary general meeting in 2011, the Board resolved to make corresponding adjustment to the exercise price of the A-share stock options. The exercise price after adjustment is RMB8.79.

(4) Impact of implementation of the A-Share Stock Option Incentive Scheme on the financial position and operating results in the period under review and subsequent years

The introduction of the Stock Option Incentive Scheme will complement the Company's incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company's corporate governance structure and strengthen the Company's competitiveness.

Accounting treatments for the A-Share Stock Option Incentive Scheme as equity-settled share-based payment are carried out in accordance with the "Accounting Standard for Business Enterprises No. 11 – Share-based payment". On each balance sheet date within the vesting period, the Company shall included, based on the best estimate of the number of vested stock options, the services obtained from the beneficiaries during the period in the costs and expenses as well as in the capital surplus reserves at the fair value of the stock options on the grant date. During the exercise period of the stock options, the Company shall make no adjustment to the relevant costs, expenses or the capital surplus reserves which have been recognised. On each balance sheet date, based on the actual number of options exercised, the capital surplus reserves recognised shall be settled.

A-Share Stock Option Incentive Scheme adopts Black-Scholes option pricing model to estimate the fair value of the stock options on the grant date. According to the assessment results, the fair value of the stock options in the first exercise period is RMB79.18 million, the fair value of the stock options in the second exercise period is RMB88.94 million, while the fair value of the stock options in the third exercise period is RMB110.97 million.

During the reporting period, according to the straight-line method, the cost of stock options of RMB26.08 million amortised by the Company for the first, second and third exercise periods shall be included in the costs and expenses, while the Company's capital surplus reserves increased by RMB26.08 million. Please refer to the notes to the financial statements for details on the accounting treatments.

For details, please refer to the announcements published on China Securities Journal, Securities Times, Shanghai Securities News and www.cninfo.com.cn on 25 October 2010, 23 March 2011, 9 April 2011, 20 April 2011, 10 May 2011 and 21 May 2011.

4. Material Litigation and Arbitration

During the reporting period, the Company did not involve in any material litigation or arbitration.

5. Major Acquisition and Disposal of Assets

During the reporting period, the Company did not have any major acquisition or disposal of assets.

6. Other investments

6.1 Investment of securities

□Applicable √Not applicable

6.2 Equity interests held in other listed companies

Unit: RMB

Stock code	Stock abbreviation	Initial investment amount	Percentage of shareholdings	Booked value as at the end of the reporting period	Gains/(losses) during the reporting period	Changes in equity attributable to equity holders during the reporting period
600751	SST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00	-	-
Total		**143,600.00**	**0.04%**	**143,600.00**	**-**	**-**

Note: Equity interests held in SST Tianjin Marine Shipping Co., Ltd are legal person shares held by the Company over the years. Up till now, it has not undergone share reform.

6.3 Shareholding in non-listed financial corporations and companies planning for listing

Nil.

7. Major connected transactions

During the reporting period, the Company's first extraordinary general meeting authorised the Board to determine, within the scope set out below, cooperation with China Resources (Holdings) Co., Ltd and its connected companies (collectively "CRH"), including entering into a loan agreement with Zhuhai City Commercial Bank Co., Ltd., using the funds under China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited, and joint investment with China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited. The total sum of the loan amount, funds to be utilised and the joint investment amount shall not be more than RMB4.42 billion (i.e. not more than 10% of the Company's audited net assets value as at the end of 2010). The authorisation is valid for a period of one year commencing from the date of passing of the relevant resolution in the first extraordinary general meeting.

The cooperation will fully leverage CRH's financial strengths and platform, which will be beneficial to the Company to broaden its financing channels, strengthen its ability to avert risk, accelerate its development, enhance return on assets, and create synergies to achieve a win-win situation. During the reporting period, the details of cooperation were yet to work out.

8. Major contracts and their implementation

(1) During the reporting period, the Company was not subject to any material entrustment, sub-contracting or leasing arrangements involving assets of other companies, nor were any other companies entitled to any entrustment, sub-contracting or leasing arrangements involving assets of the Company.

(2) During the reporting period, the Company did not have any entrustment investment arrangements.

(3) Details on the new guarantees made by the Company during the reporting period are as follows:

No.	Guarantor (% of equity interest held by China Vanke)	Name of companies being guaranteed (% of equity interest held by China Vanke)	Guaranteed amount	Remarks	Term of guarantee
1	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB25.5 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB50 million	12 January 2011 to 12 January 2013

2	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB51 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB100 million	12 January 2011 to 12 January 2013
3	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB102 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB200 million	22 March 2011 to 22 March 2013
4	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Haixuan Investment Development Company Limited (100%)	RMB130 million	Provided a guarantee for a bank loan of RMB130 million	31 March 2011 to 6 December 2011
5	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	24 March 2011 to 24 September 2013
6	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	2 April 2011 to 2 October 2013
7	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Wuxi Dingan Real Estate Co., Ltd. 无锡鼎安房地产有限公司(100%)	RMB1 billion	Provided a guarantee for a loan of RMB1 billion	11 April 2011 to 11 April 2013
8	Shenzhen Vanke Real Estate Co., Ltd. (100%), Shanghai Vanke Real Estate Co., Ltd. (100%)	Wuhan Vanke Real Estate Co., Ltd. (100%)	RMB1.5 billion	Provided a guarantee for a loan of RMB1.5 billion	29 April 2011 to 29 April 2013
9	Dongguan Vanke Real Estate Company Limited (100%)	Dongguan Changan Vanke Real Estate Co., Ltd. (100%)	RMB300 million	Provided a guarantee for a loan of RMB300 million	11 May 2011 to 10 May 2013
10	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Ningbo Vanke Real Estate Development Co. Ltd. (100%)	RMB600 million	Provided a guarantee for a loan of RMB600 million	12 May 2011 to 12 November 2012
11	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB 75 million	Provided a guarantee in proportion to the Company's equity holding (50%) for a bank loan of RMB150 million	3 June 2011 to 3 June 2014
12	Beijing Vanke Company Limited (100%)	Beijing Zhuzong Vanke Real Estate Development Co., Ltd. (50%)	RMB500 million	Provided a guarantee in proportion to the Company's equity holding (50%) for a bank loan of RMB1 billion	20 May 2011 to 19 May 2013
13	Nanjing Vanke Property Co., Ltd. 南京万科置业有限公司 (100%)	Nanjing Wanhui Property Co., Ltd. (100%)	RMB50 million	Provided a guarantee for a loan of RMB50 million	26 May 2011 to 25 July 2011
14	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Hangzhou Liangzhu New Town Development Co., Ltd. (100%)	RMB1.2 billion	Provided a guarantee for a loan of RMB1.2 billion	14 June 2011 to 14 June 2013

During the reporting period, the amount of new guarantees provided by the Company and its majority-owned subsidiaries was RMB6,934 million, and the amount of guarantees withdrawn was RMB0. As at the end of the reporting period, the outstanding amount of guarantees provided by the Company was RMB10,147 million, accounting for 22.94 per cent of the audited net assets attributable to shareholders of the Company at the end of 2010. The outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB9,031 million; the outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB1,116 million. The Company and its majority-owned subsidiaries did not have any external guarantees.

During the reporting period, the Company did not provide guarantee for shareholders, beneficial controller and its connected parties, nor did it have any overdue guarantees or guarantees involving litigation.

9. Specific elaboration and independent opinions of the independent directors on the use of capital and external guarantees by connected parties

There had been no non-operational use of capital by the controlling shareholder or other connected parties of the Company.

During the reporting period, the Company, in strict compliance with the related rules, regulated its external guarantee activities in order to control risks. There was no violation against the “Notice regarding the regulation of external guarantees by listed companies”. The Company’s guarantees had been made to meet its production and operational needs and the requirements for reasonable use of capital. The procedures for determining the provision of guarantees are legal and reasonable, without prejudice to the interests of the Company and its shareholders.

10. Undertakings

China Resources National Corporation (“CRNC”), the parent company of CRC, being the Company’s original single largest shareholder and the present single largest shareholder, gave a significant undertaking to the Company in 2001: CRNC would provide as much support to the Company as it did in the past, as long as such support was beneficial to the Company’s development, and that it would remain impartial in the event of any competition between the investment projects of the Company and that of CRNC and its subsidiaries, and in the event of any disagreements or disputes arising from horizontal competition. CRNC had fulfilled its undertaking.

11. Details on the Company’s investor meetings

Type of meeting	Date	Location	Approach	Types of investors	Issues discussed and information provided
Deutsche Bank meeting	2011.1	Beijing	Face to face meeting	Investors including securities companies, funds, etc	(I) Major issues discussed: (1) The Company’s daily operations; (2)The Company’s development strategies; (3)The Company’s opinion on the changes in the industry. (II) Major information provided: Published information including the Company’s regular reports.
UBS Meeting	2011.1	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Annual results presentation	2011.3	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to face meeting	Investors including securities companies, funds, individual investors, etc	
CLSA meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
BNP meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Qilu Securities meeting	2011.3	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.4	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Macquarie meeting	2011.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
CLSA meeting	2011.5	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2011.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Guohua meeting	2011.5	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Mirae Asset Securities meeting	2011.5	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
JP Morgan meeting	2011.6	Beijing	Face to face meeting	Investors including securities companies, funds, etc	

CLSA meeting	2011.6	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Huatai United Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Nomura Securities meeting	2011.6	Singapore	Face to face meeting	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2011.6	Sanya	Face to face meeting	Investors including securities companies, funds, etc	
Ping An Securities meeting	2011.6	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2011.6	Chongqing	Face to face meeting	Investors including securities companies, funds, etc	
UBS meeting	2011.6	Qingdao	Face to face meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.					
Securities companies	During the reporting period	Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Xiamen, Fuzhou, Sanya, Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang etc.	Small group or one-on-one	Shenjin Wanguo, CLSA, Orient Securities, Guosen Securities, Nomura Securities, CITIC Securities, Deutsche Bank, Citi, UBS, Goldman Sachs, Credit Suisse Securities, Guangfa Securities, Huatai United Securities, JP Morgan, Changjiang Securities, Haitong Securities, Yuanta Securities, Essence Securities, Merrill Lynch, Goldman Sachs Gaohua, Great Wall Securities, Mitsubishi UFJ Morgan Stanley Securities, Rising Securities, BOC International, Everbright Securities, China Jianyin Investment Securities, Sinolink Securities, Qilu Securities, Samsung Securities, Dongxing Securities, Morgan Stanley, CICC, HSBC, Daiwa Securities, Macquarie, RBS, Guotai Junan, MasterLink Securities, KGI Securities, Minsheng Securities, CCB International Securities, BNP, Jefferies, Barclays Capital, Religare Capital Markets, ISI Group, DBS Vickers, Korea Investment & Securities, Keefe, Bruyette & Woods etc.	

Funds and other investment companies and individual investors	During the reporting period	Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Xiamen, Fuzhou, Sanya,Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang etc.	Small group or one-on-one	Yinhua Fund, China Universal Asset Management, China AMC, Orient Fund, Pacific Assets Management, CCB Principal Asset Management, Guotai AMC, China Post Fund, Bank of Communications Schroders Fund, Changsheng Fund, Rongtong Fund, Fullgoal Fund, Wellington Asset Management, CDH Investments, China International Fund Management, Baoying Fund, Orient Securities Asset Management, Power Corporation of Canada, Southern Fund, Taikang Life, Fortis Haitong Fund, ICBC Credit Suisse Asset Management, Dacheng Fund, Hua An Fund, Guangfa Fund, Bosera Fund, Harvest Fund, Supreme Master Investment Limited, First State Investments, Franklin Templeton Investments, Taiping Assets Management, Bank of China Investment Management, ABN AMRO Teda Fund, China Life, Fortune SGAM Fund, Upstone Assets, Goldman Sachs (Asia), 亚洲投资协会, Invesco Great Wall Fund, Baring Asset Management, First Beijing Company, LionRock Capital, Capital Research, Brevan Howard, Prudential, Adage Capital, Millennium Management LLC, SAC, Apollo, GIC, DNB Asset, Pangu Capital Ltd, Sekker and Advisors, Trivest Advisors, Value Investors Management, Clairvoyance Capital, Alliance Berstein, GMO, Janus, Bernstein, Invesco, GENESIS, Prime Capital Management, Prime Capital Management, Pacific Eagle Asset Mgmt, Chilton Investment, Blue Pool Capital, Mitsubishi UFJ, Value Partners, TIAA-CREF, Och-Ziff, Union Investment, Sumitomo Trust & Banking (Tokyo), Henderson Investment, AMP Capital, JF AM, Point State, Highbridge Capital, Broad Peak, Tiger Asia, Daiwa SB Investments, Capital World, Fidelity Investment, Heitman, Citic Securities, Taurus, Ginger Capital, Urdang, Zeal Asset Mgmt, UBS Asset Management, PGGM, GE Capital, GE Asset Management, Blackrock, Pelargos Capital B.V, Eton Park, Capital Research Global, Hyundai Asset Management, Samsung Investment Trust Management, Samsung Life Insurance, Taurus Investment Management, Woori Asset Management, GS Asset Co. , KTB Asset Management, PCA Investment Korea, Shinyoung Asset Management, Tube Asset Investment Advisory, Cosmo Investment Management, Sky Investment Advisors, Consus Asset Management, ING Investment Management Korea, LIG Insurance Co., Mirae Asset Life Insurance, Causeway Capital, RREEF, Everest Capital Limited, Lombard Odier Darier Hentsch & Cie, Yuanta Securities Investment Trust Co Ltd, Absolute Partners Management Limited, Harvest Global Investments Limited, Amundi Hong Kong Limited, TB Alternative Assets Ltd, Hang Seng Investment Management Limited, Pinpoint Asset Management Company Ltd, Susquehanna Ireland Limited, Pharo Management (UK) LLP, China Life Trustees Limited, Shin Kong Investment Trust Co Ltd, Nomura Asset Management Hong Kong Ltd, Pictet Asset Management Limited, NeubergerBerman, CBRE Richard Ellis, Templeton Emerging Markets, Aizawa, Banco BBM, Moon Capital, Aeris International, J Capital Research, Lansdowne Partners Limited, UOB, LaSalle, Basic AM, Capital Dynamics, Blue Ridge Asset Management, Caxton Investment Co, Pyramis Asset Management, Armature Capital, Barclays Capital, Thornburg Investment Management, TT International, Perennial Investment Partners Limited, Dai-ichi Life Group (Janpan) , Omnix Capital Limited, Templeton Investment Counsel, Morgan Stanley Investment Management, Paradice Investment Australia, Mastholm AM etc.	

12. Corporate bonds and related matters

During the reporting period, the Company maintained a good credit standing. The Company's issued bonds, including "08 Vanke G1" (Bond code: 112005) and "08 Vanke G2" (Bond code: 112006), was tracked and rated by China Chengxin Securities Rating Co., Ltd. (中诚信证券评估有限公司) ("China Chengxin") during the period under review. The rating company continued to assign an AAA credit rating to the Company's secured corporate bonds "08 Vanke G1", and raised the rating for non-secured corporate bonds "08 Vanke G2" and the Company's overall corporate credit rating to AAA respectively. China Chengxin gave a stable outlook rating to the Company.

13. Investment in derivatives

Remarks on risk analysis and management of derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	In order to limit the risk associated with the fluctuations of interest rate, the Company entered into an interest rate swap ("IRS") agreement to hedge floating rate foreign currency loan. The Company would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while paying a fixed rate to the counterparty. In terms of the term and amount of the foreign currency loan, IRS limits the risk of fluctuations of interest rate through fixed forward rate.
Change in market price or fair value of the derivatives invested during the reporting period, as well as the method, related assumptions and parameters used to analyse the fair value of derivatives should be disclosed	The effect of the change in the IRS value on the Company's profit or loss during the reporting period amounted to RMB3,627,849.49. The value of the IRS was determined based on the fair value assessed on 30 June 2011
Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the reporting period as compared with those of the previous reporting period	Nil
Special advice on derivative investment and risk control by independent directors, sponsors or financial advisors	The Company's independent directors are of the view that financial instruments such as IRS prevent the possible loss associated with foreign currency loan in the event of significant fluctuations in interest rate. The relevant arrangement of the Company had been prudent and reasonable.

Derivative positions as at the end of the reporting period

Unit: RMB'000

Type of contracts	Contract amount as at the beginning of the period	Contract amount as at the end of the period	Profit/loss during the reporting period	Contract amount as at the end of the period as a percentage of the Company's net assets as at the end of the reporting period
Interest rate swap (IRS) agreement	1,249,109.39	889,845.00	3,627.85	1.54%
Total	**1,249,109.39**	**889,845.00**	**3,627.85**	**1.54%**

XI. Financial Report (Unaudited)

China Vanke Co., Ltd.

萬科企業股份有限公司

30 June 2011

Consolidated income statement for the six months ended 30 June 2011

(Expressed in Renminbi Yuan)

	Note	2011 Jan.–Jun.	2010 Jan.–Jun.
Revenue	7	18,886,965,527	15,816,254,224
Cost of sales		(10,998,932,223)	(10,046,889,448)
Gross profit		7,888,033,304	5,769,364,776
Other income	8	47,661,182	206,654,647
Distribution expenses		(956,748,185)	(606,401,577)
Administrative expenses		(904,669,169)	(575,447,943)
Other expenses	9	(73,244,462)	(35,154,287)
Results from operating activities		6,001,032,670	4,759,015,616
Finance income		375,609,383	373,600,878
Finance costs		(517,591,644)	(386,171,719)
Net finance costs	11	(141,982,261)	(12,570,841)
Share of profits less losses of associates	20	30,061,451	17,667,867
Share of profits less losses of jointly controlled entities	21	(22,288,042)	76,772,073
Profit before income tax		5,866,823,818	4,840,884,715
Income tax expense	12(a)	(2,614,306,284)	(1,680,063,826)
Profit for the period		3,252,517,534	3,160,820,889
Attributable to:			
Equity shareholders of the Company		2,977,854,653	2,812,498,573
Minority interests		274,662,881	348,322,316
Profit for the period		3,252,517,534	3,160,820,889
Basic and diluted earnings per share	14	0.27	0.26

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income for the six months ended 30 June 2011

(Expressed in Renminbi Yuan)

	Note	*2011 Jan. – Jun.*	*2010 Jan. – Jun.*
Profit for the period		3,252,517,534	3,160,820,889
Other comprehensive income for the period	13		
Foreign currency translation differences			
- foreign operations	13(a)	88,446,161	47,738,002
Net change in fair value of available-for-sale financial assets	13(b)	-	(93,939,754)
Total comprehensive income for the period		3,340,963,695	3,114,619,137
Attributable to:			
Equity shareholders of the Company		3,066,300,814	2,766,296,821
Minority interests		274,662,881	348,322,316
Total comprehensive income for the period		3,340,963,695	3,114,619,137

The accompanying notes form part of these financial statements.

Consolidated balance sheet

(Expressed in Renminbi Yuan)

	Note	30 Jun. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,600,039,277	1,625,695,230
Investment properties	17	190,561,410	129,176,195
Construction in progress	18	898,256,796	764,282,141
Interest in associates	20	1,559,140,902	1,035,875,902
Interest in jointly controlled entities	21	3,461,225,978	3,374,074,020
Other financial assets	22	489,159,806	488,565,309
Deferred tax assets	23(a)	1,935,106,184	1,643,158,028
Other non-current asset		1,055,992,715	1,055,992,715
Total non-current assets		11,189,483,068	10,116,819,540
Current assets			
Inventories	24	45,885,306	93,090,534
Properties held for development	25	55,205,163,279	49,314,694,209
Properties under development	25	111,704,090,570	78,982,068,164
Completed properties for sale	25	4,752,181,449	5,290,716,117
Trade and other receivables	26	37,624,915,670	34,370,341,244
Cash and cash equivalents	27	40,779,468,534	37,816,932,912
Total current assets		250,111,704,808	205,867,843,180
TOTAL ASSETS		261,301,187,876	215,984,662,720
EQUITY			
Share capital	28	10,995,210,218	10,995,210,218
Reserves	29	35,209,322,671	33,237,466,573
Total equity attributable to equity shareholders of the Company		46,204,532,889	44,232,676,791
Minority interests		11,602,949,738	10,353,522,851
TOTAL EQUITY		57,807,482,627	54,586,199,642

The accompanying notes form part of these financial statements.

Consolidated balance sheet(continued)

(Expressed in Renminbi Yuan)

	Note	30 Jun. 2011	31 Dec. 2010
LIABILITIES			
Non-current liabilities			
Loans and borrowings	30	29,773,300,951	30,611,643,798
Deferred tax liabilities	23(b)	1,069,998,205	1,086,104,338
Other non-current liabilities	31	10,554,510	8,816,121
Provisions	33	45,437,746	41,107,323
Total non-current liabilities		30,899,291,412	31,747,671,580
Current liabilities			
Loans and borrowings	30	23,039,093,713	16,783,690,787
Financial derivatives		10,545,369	15,054,493
Trade and other payables	32	143,679,994,562	106,138,344,681
Current tax liabilities	12(c)	5,864,780,193	6,713,701,537
Total current liabilities		172,594,413,837	129,650,791,498
TOTAL LIABILITIES		203,493,705,249	161,398,463,078
TOTAL EQUITY AND LIABILITIES		261,301,187,876	215,984,662,720

Approved and authorized for issue by the board of directors on 5 August 2011.

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) Directors
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The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
For the six months ended 30 June 2011
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company										
Change in Equity for the six months ended 30 Jun. 2011	Note	Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee Share -based compensati -on reserve	Revaluation reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
Balance at 1 January 2011		10,995,210,218	8,826,644,405	390,131,926	10,587,706,329	473,226,067	771,108	(511,297,571)	13,470,284,309	44,232,676,791	10,353,522,851	54,586,199,642
Dividend to owners of the Company	15	-	-	-	-	-	-	-	(1,099,521,022)	(1,099,521,022)	-	(1,099,521,022)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(525,092,459)	(525,092,459)
Capital injections from minority interests of subsidiaries		-	-	-	-	-	-	-	-	-	900,796,219	900,796,219
Non-controlling interests arising from acquisitions of non-wholly owned subsidiary		-	-	-	-	-	-	-	-	-	734,950,000	734,950,000
Equity settled share-based transactions	34	-	-	-	-	-	-	26,081,585	-	26,081,585	-	26,081,585
Acquisitions of non-controlling interests		-	-	-	-	-	-	(21,005,279)	-	(21,005,279)	(214,389,754)	(235,395,033)
Disposals of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	78,500,000	78,500,000
Total comprehensive income for the six months period		-	-	88,446,161	-	-	-	-	2,977,854,653	3,066,300,814	274,662,881	3,340,963,695
Balance at 30 June 2011		**10,995,210,218**	**8,826,644,405**	**478,578,087**	**10,587,706,329**	**473,226,067**	**771,108**	**(506,221,265)**	**15,348,617,940**	**46,204,532,889**	**11,602,949,738**	**57,807,482,627**

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company											
Change in Equity in 2010	*Note*	Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee share-based compensation reserve	Revaluation reserve	Other reserve	Retained earnings	Awarded shares purchased for employees' share award scheme	Total	Non-controlling interests	Total equity
Balance at 1 January 2010		10,995,210,218	8,826,644,405	276,721,079	8,737,841,437	473,226,067	107,604,654	(363,623,127)	8,808,398,744	(486,135,416)	37,375,888,061	8,032,624,393	45,408,512,454
Transfer of retained earnings		-	-	-	1,849,864,892	-	-	-	(1,849,864,892)	-	-	-	-
Dividend to owners of the Company	15	-	-	-	-	-	-	-	(769,664,716)	-	(769,664,716)	-	(769,664,716)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,022,809,351)	(1,022,809,351)
Capital injections from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	900,024,038	900,024,038
Non-controlling interests arising from acquisitions of non-wholly owned subsidiary		-	-	-	-	-	-	-	-	-	-	1,504,670,237	1,504,670,237
Equity settled share-based transactions		-	-	-	-	-	-	(17,407,332)	(1,711,866)	486,135,416	467,016,218		467,016,218
Acquisitions of non-controlling interests		-	-	-	-	-	-	(130,267,112)	-	-	(130,267,112)	(305,717,961)	(435,985,073)
Disposals of non-controlling interests		-	-	-	-	-	-	-	-	-	-	(318,921,473)	(318,921,473)
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	7,169,501	7,169,501
Total comprehensive income for the year		-	-	113,410,847	-	-	(106,833,546)	-	7,283,127,039	-	7,289,704,340	1,556,483,467	8,846,187,807
Balance at 31 December 2010		**10,995,210,218**	**8,826,644,405**	**390,131,926**	**10,587,706,329**	**473,226,067**	**771,108**	**(511,297,571)**	**13,470,284,309**	**-**	**44,232,676,791**	**10,353,522,851**	**54,586,199,642**

The accompanying notes form part of these financial statements.

Consolidated cash flow statement
for the six months ended 30 June 2011
(Expressed in Renminbi Yuan)

	Note	*2011 Jan. – Jun.*	*2010 Jan. – Jun.*
Cash flows from operating activities			
Cash receipts from customers		50,406,825,400	28,870,516,221
Cash paid to suppliers		(38,777,093,351)	(29,123,479,748)
Cash paid to and for employees		(1,461,654,240)	(1,025,738,335)
Cash paid for other taxes		(9,510,508,795)	(4,385,820,679)
Cash generated from other operating activities		7,004,980,023	2,659,393,935
Cash used in other operating activities		(3,836,700,190)	(6,509,292,573)
Net cash generated from / (used in) operating activities		3,825,848,847	(9,514,421,179)
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash required	5	(2,832,609,183)	188,165,014
Acquisitions of interest in associates, jointly controlled entities and other investments		(398,260,500)	(1,453,342,441)
Acquisitions of property, plant and equipment and construction in progress		(124,039,946)	(40,828,007)
Cash paid for other investment activities		-	-
Proceeds from disposals of subsidiaries	6	(42,569,163)	20,112,929
Proceeds from disposal of property, plant and equipment		328,599	438,616
Proceeds from sales of investments		76,700,000	138,303,746
Proceeds from other investment activities		197,207,554	131,453,581
Dividends received		15,216,215	439,521,967
Net cash used in investing activities		(3,108,026,424)	(576,174,595)

The accompanying notes form part of these financial statements.

Consolidated cash flow statement (continued)
for the six months ended 30 June 2011
(Expressed in Renminbi Yuan)

	Note	*2011* *Jan. – Jun.*	*2010* *Jan. – Jun.*
Cash flows from financing activities			
Capital injections from minority interests of subsidiaries		1,804,652,556	1,134,963,387
Proceeds from loans and borrowings		14,003,077,865	11,911,335,211
Repayment of loans and borrowings		(8,497,000,000)	(5,067,889,566)
Dividends paid to equity shareholder		(1,018,124,006)	(771,376,582)
Dividends paid to minority shareholder		(214,960,544)	(68,928,292)
interest paid		(1,835,046,472)	(1,045,917,309)
Net cash (used in) / generated from *financing activities*		4,242,599,399	6,092,186,849
Net increase in cash and cash equivalents		4,960,421,822	(3,998,408,925)
Cash and cash equivalents at 1 January		35,096,935,416	22,002,774,938
Effect of foreign exchange rate changes		(10,587,288)	(4,982,697)
Cash and cash equivalents at balance sheet date		40,046,769,950	17,999,383,316

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Yuan)

1 Reporting entity

China Vanke Co., Ltd (the "Company") is a company domiciled in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The Group is primarily involved in the development and sale of properties in the PRC (see note 7).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Company's board of directors on 5 August 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi Yuan, which is the Group's functional currency.

2 Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 16, 17 and 18 – depreciation and impairment of property, plant and equipment , investment properties and construction in progress.
- Note 25 – write down of properties
- Note 26 – impairment of trade debtors and other receivables
- Note 41 – accounting estimates and judgements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(r) and 3(t) depending on the nature of the liability.

(ii) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group of that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of investees' net assets and any impairment loss relating to the investment (see note 3(h)(i)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(iii) Business combinations

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking over the control of the entity, the interests of the entity previously recorded in the Group's financial statements are revalued on the basis of the fair values of the identifiable assets and liabilities at the transaction date. Any revaluation surplus/deficits are recorded in equity.

When control already exists at the date of addition in interest in an entity, no fair value adjustment is made to the identifiable assets, liabilities and contingent liabilities of the entity. Any difference between the considerations and the carrying amount of interests previously recorded in the Group's financial statements is dealt with in equity.

Where the Group decreases its interest in a subsidiary without losing control, any gain or loss on the partial disposal is recognised in equity.

(iv) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment (see note 3(h)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 3(h)).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Goodwill (continued)

Any excess of the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, and attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Renminbi at exchange rate at the reporting date. The income and expenses of foreign operations are translated to Renminbi at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated separately in equity in the foreign exchange reserve. When a foreign operation is disposed of, in part of in full, the relevant amount in the foreign exchange reserve is transferred to profit or loss as part of the profit or loss on disposal.

3 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recongnised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)) and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial reorganisation, derivatives are measured at fair values, and all changes in its fair value are recognised immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Hotel and other properties held for own use, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(n)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Year	*Estimated residual value as a percentage of costs*
Hotel buildings	34	4%
Other buildings	12.5 - 25	4%
Improvements to premises	5 years or over terms of leases	-
Plant and machinery	5 - 10	4%
Furniture, fixtures and equipment	5 - 10	4%
Motor vehicles	5	4%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 3(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(h)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(n)).

Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment property is accounted for as described in note 3(l)(iii).

Depreciation is calculated to write off the cost of items of investment properties, less their estimated residual value of 4% of costs, using straight line method over their estimated useful lives of 12.5 to 34 years.

3 Significant accounting policies (continued)

(f) Construction in progress

Construction in progress represents items of property, plant and equipment or investment properties under construction and pending installation, and is stated at cost less impairment losses (see note 3(h)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (see note 3(n)), and an appropriate proportion of production overheads incurred during the periods of construction and installation. Capitalisation of those costs ceases and the construction in progress is transferred to property, plant and equipment or investment properties, as appropriate, when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is held for development, under development or completed and held for sale (see notes 3(j) and 3(k)).

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(h)(ii).
- For unquoted securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.
- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- property, plant and equipment;
- construction in progress; and
- lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Properties under development and properties held for development

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for development comprise specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 3(n)). Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs to be incurred in selling the properties.

3 Significant accounting policies (continued)

(k) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less the estimated costs to be incurred in selling the properties.

The cost of completed properties for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing completed properties for sale to their present location and condition.

When properties are sold, the carrying amount of those properties is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of properties to net realisable value and all losses of properties are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties is recognised as a reduction in the amount of properties recognised as an expense in the period in which the reversal occurs.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from the sale of completed properties for sale is recognised upon the signing of the sale and purchase agreement and the receipt of the deposits pursuant to the sale and purchase agreement or the achievement of status ready for hand-over to customers as stipulated in the sales and purchase agreements, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under sales deposits received in advance.

(ii) Provision of services

Revenue from services is recognised when services are rendered.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

3 Significant accounting policies (continued)

(l) Revenue recognition (continued)

(v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other sundry income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

The above revenue is net of the relevant taxes and is after the deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(m) Lease prepayments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3 Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans administrated by the PRC government are recognised as an expense when incurred according to the contribution defined by the plans.

(ii) Share based payments

The fair value of the shares granted to the employees (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in employee share based compensation reserve within equity. The fair value is measured at grant date using the Monte-Carlo option pricing model, taking into account the terms and conditions upon which the Awarded Shares were granted. As the employees have to meet vesting conditions before becoming unconditionally entitle to the Awarded Shares, the total estimated fair value of the Awarded Shares is spread over the vesting period, taking into account the probability that the Awarded Shares will vest. As the duration of the vesting period depends on the market price of the Company's A shares, the estimation on the vesting period is reviewed at each balance sheet date. Any adjustment to the employee cost recognised in prior years is charged / credited to the profit or loss for the year of review with a corresponding adjustment to the compensation reserve.

The Group's contribution to the Scheme is stated at cost and is presented as a contra account, namely, Awarded Shares purchased for the Employees' share award scheme, within equity.

When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares vested are credited to Awarded shares purchased for the Employee's share award scheme with a corresponding adjustment to the employee share based compensation reserve.

When the Scheme expires, the related costs of the Awarded Shares disposed are credited to Awarded shares purchased for the Employee's share award scheme, and the disposal gains or losses are credited to Capital reserve arising from disposal of awarded shares.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred assets and liabilities. Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

3 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary difference arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter at amortised cost less impairment losses for bad and doubtful debts (see note 3(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(h)).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(u), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3 Significant accounting policies (continued)

(t) Interest-bearing borrowings and bonds

Interest-bearing borrowings and bonds are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings/bonds are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings/bonds, together with any interest and fees payable, using the effective interest method.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(u)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(u)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(u)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

3 Significant accounting policies (continued)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3 Significant accounting policies (continued)

(x) Operating segments

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for the financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale

The fair value of property, plant and equipment, properties held for development, properties under development and completed properties for sale is based on market values. The market value of these properties is the estimated amount for which an item could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale is based on the quoted market prices for similar items when available and replacement cost when appropriate.

(iii) Investments in debt and equity securities

The fair value of listed available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date without any deduction for transaction costs. There is no quoted market price in an active market for the unlisted equity and debt securities and thus their fair value cannot be reliably estimated.

5 Acquisitions of subsidiaries

(i) Acquisitions of subsidiaries by the Group during the six months ended 30 June 2011:

(a) Pursuant to an equity transfer agreement 25 September 2010, the Company acquired a 50% equity interest in Shenzhen Haixuan Investment Development Company Limited ("Haixuan") with a consideration of RMB 5 Million. Haixuan is principally engaged in property development and sale. The acquisition was completed on 24 March 2011. After the acquisition, the Company holds a 100% equity interest in Haixuan. (note)

(b) Pursuant to an equity transfer agreement 27 January 2011, the Company acquired a 100% equity interest in Wuhan Yongli Property Company Limited ("Yongli") with a consideration of RMB 36 Million. Yongli is principally engaged in property development and sale. The acquisition was completed on 9 March 2011. (note)

(c) Pursuant to an equity transfer agreement 10 Janauray 2011, the Company acquired a 100% equity interest in Winble Capital Limited ("Winble") with a consideration of HKD 1,000. Winble is principally engaged in investment holding. The acquisition was completed on 10 Janauray 2011.

(d) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 100% equity interest in Guangzhou Panyu Xiangxin Real Estate Company Limited ("Panyu Xiangxin") with a consideration of RMB 3,100 Million. Panyu Xiangxin is principally engaged in property development and sale. The acquisition was completed on 1 April 2011. (note)

(e) Pursuant to an equity transfer agreement 20 January 2011, the Group acquired a 70% equity interest in Sanya Vanke Zhongshi Real Estate Company Limited ("Zhongshi") with a consideration of RMB 14 Million. Zhongshi is principally engaged in property development and sale. The acquisition was completed on 26 April 2011.

(f) Pursuant to an equity transfer agreement 21 June 2011, the Group acquired a 51% equity interest in Shanxi HanBo Industrial Company Limited ("Shanxi HanBo") with a consideration of RMB 5.1 Million. Shanxi HanBo is principally engaged in property development and sale. The acquisition was completed on 24 June 2011.

(g) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 34% equity interest in Dongguan ShengHong Industrial Investment Company Limited ("ShengHong") with a consideration of RMB 0.34 Million. ShengHong is principally engaged in property development and sale. The acquisition was completed on 11 May 2011. (note)

(h) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 25% equity interest in Dongguan Zhongwanguangda Industrial Investment Company Limited ("Zhongwanguangda") with a consideration of RMB 0.25 Million. Zhongwanguangda is principally engaged in property development and sale. The acquisition was completed on 11 May 2011. (note)

5 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the six months ended 30 June 2011: （Continued）

(i) Pursuant to an equity transfer agreement 9 May 2011, the Group acquired a 100% equity interest in Future Vision Investments Limited ("Future Vision") with a consideration of USD 22,662,135. Future Vision is principally engaged in investment holding. The acquisition was completed on 9 May 2011.

(j) Pursuant to an equity transfer agreement 1Janauray 2011, the Group acquired a100% equity interest in Glorious Profit Investments Limited with a consideration of HKD 1.Glorious Profit is principally engaged in investment. The acquisition was completed on 1Janauray 2011.

Note: In the circumstances, the acquired subsidiaries' major assets are properties held for development, properties under development and/or completed properties for sale. The directors consider that the purpose of acquiring those subsidiaries is solely to acquire the underlying properties.

The acquisitions had the following effect on the Group's cash flow on acquisition dates:

Considerations, satisfied in cash	3,313,214,006
Cash acquired	(705,397,323)
Considerations prepaid in prior years	(5,000,000)
Considerations to be paid subsequent to 30 June 2011	(335,100,000)
Considerations paid in 2011	2,267,716,683
Cash paid for acquisitions in prior years	564,892,500
Net cash outflow	2,832,609,183

All subsidiaries set out above were acquired from third parties.

6 Disposal of subsidiaries

(i) Disposal of subsidiaries by the Group during the six months ended 30 June 2011:

(a) On 25 January 2011, the Group disposed of 69.58% equity interest in Shenzhen Oriental Xinyue Industry Company Limited ("Xinyue"), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB 25 million. Subsequent to the transfer, Xinyue became an associate of the Group.

6 Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries by the Group during the six months ended 30 June 2011: (continued)

Effect of the disposal on individual assets and liabilities of the Group for the six months ended 30 June 2011

Cash and cash equivalents	42,569,163
Trade and other receivables	728,111,672
Properties held for development, properties under development and completed properties for sales	35,348,727
Property, plant and equipment	11,816
Other long-term liabilities	61,775
Trade and other payables	(768,039,508)
Minority interests	(11,542,396)
Net assets and liabilities disposed of by the Group	26,397,700
Loss on disposal of subsidiaries	(1,240,469)
Considerations received in prior years	-
Considerations to be received subsequent to June 2011	-
Considerations received, satisfied in cash	-
Cash disposed of	(42,569,163)
Net cash outflow	**(42,569,163)**

7 Operating segments

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development (Beijing Region / Shenzhen Region / Shanghai Region / Chengdu Region): given the importance of the property development division to the Group, the Group's property development business is segregated further into four reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All four segments derive their revenue from development and sale of residential properties. The properties are mainly sold to individual customers; therefore, the Group does not have major customers. Currently the Group's activities in this regard are also carried out in mainland China. Details about the specific cities covered by each region are set out in note 7(b).

- Property management services: this segment provides house keeping services to the property development segment, as well as the external property developers. Currently the Group's activities in this regard are also carried out in mainland China.

7 Operating segments (continued)

Although the operating segment of property management services does not meet any of the quantitative thresholds specified in IFRS 8, *Operating Segments*, management believes that information about the segment would be useful to users of the financial statements.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

(i) Segment assets and liabilities

Segment assets include all tangible, intangible assets, other investments and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals, interest-bearing borrowings and bonds, and the provision for the estimated losses to be borne by the Group in relation to the property management projects.

(ii) Segment revenue and expenses

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

(iii) Segment profit

The measure used for reporting segment profit is the profit before PRC corporate income tax expense, excluding share of profit or loss of associates or jointly controlled entities and other non-operating income and expense, but including the profit arising from the inter-segment transactions. Land appreciation tax is deducted from segment profit for the review by the Group's senior executive management for it is considered directly attributable to the sale of properties.

(iv) Inter-segment transactions

Inter-segment sales are priced with reference to prices charged to external parties for similar services.

7 Operating segments (continued)

(a) Segment results, assets and liabilities (continued)

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the six months ended 30 June 2011						
Revenue from external revenue, before sales taxes	3,133,634,307	7,568,063,932	6,723,807,357	2,264,285,337	298,004,932	19,987,795,865
Inter-segment revenue	-	-	237,376	-	261,053,608	261,290,984
Reportable segment revenue, before sales taxes	**3,133,634,307**	**7,568,063,932**	**6,724,044,733**	**2,264,285,337**	**559,058,540**	**20,249,086,849**
Reportable segment profit	**274,492,166**	**2,076,160,389**	**2,076,362,092**	**76,224,194**	**(8,070,194)**	**4,495,168,647**
Interest income	22,191,821	5,580,555	17,303,678	25,397,724	1,574,445	72,048,223
Interest expense	25,802,708	30,195,421	165,196,292	56,795,991	2,049	277,992,461
Share of profits less losses of associates and jointly controlled entities (note (5))	(8,732,211)	2,477,863	(8,493,108)	7,627,524	-	(7,119,932)
Reportable segment assets	77,245,185,711	84,126,720,640	74,716,283,837	41,610,385,281	1,387,562,778	279,086,138,247
Reportable segment liabilities	65,248,116,279	72,864,899,896	64,618,795,185	38,241,490,130	1,290,561,036	242,263,862,526

7 Operating segments (continued)

(a) Segment results, assets and liabilities (continued)

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the six months ended 30 June 2010						
Revenue from external revenue, before sales taxes	2,149,126,918	5,095,505,275	7,475,581,482	1,800,925,849	243,227,276	16,764,366,800
Inter-segment revenue	-	-	-	-	191,521,452	191,521,452
Reportable segment revenue, before sales taxes	2,149,126,918	5,095,505,275	7,475,581,482	1,800,925,849	434,748,728	16,955,888,252
Reportable segment profit	**304,453,596**	**1,638,422,692**	**2,318,984,037**	**328,607,518**	**56,540,674**	**4,647,008,517**
Interest income	20,102,939	19,819,303	16,515,825	7,029,393	8,796,574	72,264,034
Interest expense	93,863,691	91,946,523	66,202,812	26,227,330	4,900,125	283,140,481
Share of profits less losses of associates and jointly controlled entities (note (5))	807,870	(816,231)	73,919,000	1,890,272	-	75,800,911
Reportable segment assets	36,988,534,841	47,859,493,449	45,601,239,974	23,320,009,267	2,260,460,140	156,029,737,671
Reportable segment liabilities	28,044,564,525	37,622,400,832	35,757,761,584	18,318,663,407	1,251,787,191	120,995,177,540

7 Operating segments (continued)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2011 Jan-Jun	*2010 Jan-Jun*
Revenue		
Reportable segment revenue	20,249,086,849	16,955,888,252
Unallocated head office and corporate revenue	72,770,654	27,384,851
Sales taxes	(1,101,872,550)	(950,076,226)
Elimination of inter-segment revenue	(333,019,426)	(216,942,653)
Consolidated turnover	18,886,965,527	15,816,254,224
Profit		
Reportable segment profit	4,495,168,647	4,647,008,517
Elimination of inter-segment profit	(36,292,630)	(881,109,052)
Share of profits less losses of associates and jointly controlled entities	7,773,409	94,439,940
Other income	47,661,182	206,654,647
Other expenses, excluding provision for doubtful debts	(4,805,845)	(18,908,745)
Dividend income	15,266,215	236,573,500
Unallocated head office and corporate expenses	(72,962,320)	(136,518,456)
Land appreciation tax	1,415,015,160	692,744,364
Consolidated profit before taxation	5,866,823,818	4,840,884,715
Assets		
Reportable segment assets	279,427,047,409	156,029,737,671
Elimination of inter-segment receivables	(134,365,538,608)	(81,934,719,276)
Deferred tax assets	1,935,106,184	363,283,736
Unallocated head office and corporate assets	114,304,572,891	86,417,646,156
Consolidated total assets	261,301,187,876	160,875,948,287
Liabilities		
Reportable segment liabilities	242,263,862,526	120,995,177,540
Elimination of inter-segment payables	(120,925,595,834)	(65,263,322,452)
Deferred tax liabilities	1,069,998,205	363,283,736
Unallocated head office and corporate liabilities	81,085,440,352	56,361,000,686
Consolidated total liabilities	203,493,705,249	112,456,139,510

7 Operating segments (continued)

Notes:

(1) Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang and Fushun.

(2) Shenzhen region represents Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, and Hainan.

(3) Shanghai region represents Shanghai, Hangzhou, Suzhou, Wuxi, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu and Nantong.

(4) Chengdu Region represents Chengdu, Wuhan, Xi'an, and Chongqing, Kunming, and Guiyang and Wulumuqi.

(5) Share of profits less losses of associates and jointly controlled entities that is attributable to head office and not allocated to the respective segments is RMB14,893,340 (2010: RMB 18,639,027).

8 Other income

	2011 *Jan.–Jun.*	*2010* *Jan.–Jun.*
Forfeited deposits and compensation from customers	9,862,643	8,063,534
Gain/(Loss) on disposals of subsidiaries	(1,240,469)	62,784,054
Gain on acquisitions of subsidiaries	450,017	-
Gain on disposals of minority interests of subsidiary	5,200,000	-
Gain on disposals of other investment	881,275	100,937,645
Gain on disposals of property, plant and equipment	280,254	561,971
Other sundry income	32,227,462	34,307,443
	47,661,182	206,654,647

9 Other expenses

	2011 *Jan-Jun*	*2010* *Jan-Jun*
Provision for doubtful debts	68,438,617	16,245,542
Donations	1,443,640	6,541,885
Loss on disposals of property, plant and equipment	475,164	871,183
Net unrealised loss on financial derivatives	(3,627,849)	5,810,671
Penalties	1,749,473	1,140,705
Other sundry expenses	4,765,417	4,544,301
	73,244,462	35,154,287

10 Personnel expenses

	2011 Jan-Jun	*2010 Jan-Jun*
Wages, salaries and other staff costs	647,623,936	550,442,059
Contributions to defined contribution plans	91,989,414	63,016,667
Equity-settled share-based compensation	26,081,585	-
	765,694,935	613,458,726

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at the rates ranged from 10% to 22% (2010: from 10% to 22%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

11 Finance income and finance costs

	2011 Jan-Jun	*2010 Jan-Jun*
Interest income	349,416,148	137,027,378
Dividend income	15,266,215	236,573,500
Foreign exchange gain	10,927,020	-
Financing income	375,609,383	373,600,878
Interest expense and borrowing costs	1,857,312,467	1,176,514,037
Less：Interest capitalised	(1,339,720,823)	(801,337,555)
Finance costs	517,591,644	375,176,482
Foreign exchange loss	-	10,995,237
Financing expenses	517,591,644	386,171,719
Net financing costs	(141,982,261)	(12,570,841)

Interest expense and other borrowing costs have been capitalised at an average rate of 7.4% (2010: 7.6%) per annum.

12 Taxation

(a) Taxation in the consolidated income statement represents:

	2011 Jan-Jun	*2010 Jan-Jun*
Current tax		
PRC Enterprise Income Tax		
Provision for the six months period	1,501,143,595	1,090,488,185
Land Appreciation Tax	1,421,216,977	748,264,949
	2,922,360,572	1,838,753,134
Deferred tax		
Fair value adjustments arising from business combinations		
- PRC Enterprise Income Tax	(14,569,304)	(44,541,340)
- Land Appreciation Tax	(6,201,817)	(55,520,585)
Accrual for Land Appreciation Tax	(52,707,948)	66,593,912
Tax losses	(208,018,044)	(165,043,240)
Provision for diminution in value of properties	-	62,246,316
Accruals for construction costs	(19,187,762)	(27,581,226)
Other temporary differences	(7,369,413)	5,156,856
	(308,054,288)	(158,689,307)
	2,614,306,284	1,680,063,826

The provision for PRC Corporate Income Tax is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC range between 24% and 25% (2010: between 22% and 25%).

According to the China's Corporate Income Tax ("CIT") Law that was passed by the Standing Committee of the Tenth National People's Congress ("NPC") on 16 March 2007 and the Notice of the State Council on the Transitional Preferential Policy regarding implementation of the CIT Law (Guo Fa [2007] No.39) issued on 26 December 2007, income tax rate is revised to 25% with effect from 1 January 2008. For certain enterprises that are entitled to preferential income tax rate of 15% before the implementation of the CIT Law, the income tax rate applicable will be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, and 2012 and thereafter respectively. As at 30 June 2010 and 2009, deferred tax assets and liabilities are calculated based on the applicable income tax rates enacted by the NPC from 1 January 2008.

Land Appreciation Tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

12 Taxation (continued)

(a) Taxation in the consolidated income statement represents (continued):

The following is a reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 Jan-Jun	*2010 Jan-Jun*
Profit before income tax	5,866,823,818	4,840,884,715
Less: Land Appreciation Tax	1,415,015,160	692,744,364
	4,451,808,658	4,148,140,351
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	1,086,513,366	983,564,693
Non-taxable income	(2,067,604)	(48,616,142)
Non-deductible expenses	81,422,218	51,639,753
Effect of tax losses not recognised	34,582,006	33,603,070
Recognition of previously unrecognised tax losses	(1,046,115)	(29,495,496)
Effect of unused tax losses recognised in prior years	-	295,494
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(112,747)	(3,671,910)
PRC Corporate Income Tax	1,199,291,124	987,319,462
Land Appreciation Tax	1,415,015,160	692,744,364
Actual total tax expense	2,614,306,284	1,680,063,826

(b) Taxation recognized directly in equity

	2011 Jan-Jun	*2010 Jan-Jun*
Arising from fair value adjustments on available-for-sale securities (note 23(b))	-	(24,666,306)

12 Taxation (continued)

(c) Current taxation in the consolidated balance sheet represents:

	30 Jun. 2011	***31 Dec. 2010***
Corporate Income Tax	719,260,327	1,677,498,217
Land Appreciation Tax	5,145,519,866	5,036,203,320
	5,864,780,193	6,713,701,537

Land Appreciation Tax provisions have been made pursuant to Guo Shui Fa (2006) No 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The management considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of Land Appreciation Tax, the provisions have been recorded as current liabilities as at 30 June 2011 and 31 December 2010.

13 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Jan-Jun.2011			*Jan-Jun.2010*		
	Before-tax amount	*Tax expense*	*Net-of-tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-tax amount*
Exchange differences on translation of financial statements of overseas subsidiaries	88,446,161	-	88,446,161	47,738,002	-	47,738,002
Available-for-sale securities: net movement in fair value reserve				(118,606,060)	24,666,306	(93,939,754)
Other comprehensive Income	88,446,161	-	88,446,161	(70,868,058)	24,666,306	(46,201,752)

13 Other comprehensive income (continued)

(b) Reclassification adjustments relating to components of other comprehensive income

	2011 Jan-Jun RMB	*2010 Jan-Jun* RMB
Available-for sale securities:		
Gains/(loss) arising during the period	-	(2,183,281)
Less: Reclassification adjustments for gains included in profit	-	91,756,473
Net movement in the fair value reserve during the year recognised in other comprehensive income	-	(93,939,754)

14 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of RMB2,977,854,653(2010: 2,812,498,573) and on the weighted average number of ordinary shares outstanding during the year of 10,995,210,218 (2010: 10,995,210,218) shares.

There were no dilutive potential shares during the years presented above.

15 Dividends

A cash dividend of RMB 0.10 per share, resulting in a dividend payment of RMB 1,099,521,022 in respect of the year ended 31 December 2010 was declared and paid during the reporting period ended 30 June 2011.

A cash dividend of RMB 0.07 per share, resulting in a dividend payment of RMB 769,664,715 in respect of the year ended 31 December 2009 was declared and paid during the year ended 31 December 2010.

16 Property, plant and equipment

	Hotel and other buildings held for own use	Improvements to premises	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
Cost:						
At 1 January 2010	1,485,863,696	70,056,521	26,205,266	187,708,560	88,121,188	1,857,955,231
Additions	328,253,317	18,673,900	1,594,310	26,835,907	23,042,503	398,399,937
Disposals	(128,580,968)	(3,756,875)	(620,128)	(11,150,925)	(10,354,929)	(154,463,825)
At 31 December 2010	1,685,536,045	84,973,546	27,179,448	203,393,542	100,808,762	2,101,891,343
At 1 January 2011	1,685,536,045	84,973,546	27,179,448	203,393,542	100,808,762	2,101,891,343
Additions:						
via acquisitions of subsidiaries	-	-	-	1,168,262	2,306,778	3,475,040
others	27,121,495	15,338,386	1,540,757	17,230,705	14,152,205	75,383,548
Disposals	(46,949,740)	(2,902,132)	(274,873)	(4,063,496)	(4,643,983)	(58,834,224)
At 30 June 2011	1,665,707,800	97,409,800	28,445,332	217,729,013	112,623,762	2,121,915,707

16 Property, plant and equipment (continued)

	Hotel and other buildings held for own use	Improvements to premises	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
Accumulated depreciation and impairment loss:						
At 1 January 2010	166,727,300	31,212,208	10,848,440	119,573,379	60,331,868	388,693,195
Charge for the year	59,567,105	18,387,544	2,103,299	18,498,107	13,005,762	111,561,817
Written back on disposals	(1,792,661)	(3,678,689)	(515,275)	(9,999,578)	(8,072,696)	(24,058,899)
At 31 December 2010	224,501,744	45,921,063	12,436,464	128,071,908	65,264,934	476,196,113
At 1 January 2011	224,501,744	45,921,063	12,436,464	128,071,908	65,264,934	476,196,113
Additions:						
via acquisitions of subsidiaries	-	-	-	757,307	62,798	820,105
Charge for the period	25,896,954	7,691,150	888,972	12,675,094	6,350,262	53,502,432
on disposals	(115,376)	(1,453,430)	(155,686)	(3,120,640)	(3,797,088)	(8,642,220)
At 31 June 2011	250,283,322	52,158,783	13,169,750	138,383,669	67,880,906	521,876,430
Net book value:						
At 30 Jun. 2011	1,415,424,478	45,251,017	15,275,582	79,345,344	44,742,856	1,600,039,277
At 31 Dec. 2010	1,461,034,301	39,052,483	14,742,984	75,321,634	35,543,828	1,625,695,230

17 Investment properties

	30 Jun.2011	*31 Dec.2010*
Cost:		
At 1 January	150,400,720	256,641,320
Addition	65,060,776	15,216,622
Disposals	-	(121,457,222)
At balance sheet date	215,461,496	150,400,720
Accumulated depreciation and impairment loss:		
At 1 January	21,224,525	28,498,162
Charge for the period	3,675,561	5,245,393
Written back on disposals	-	(12,519,030)
At balance sheet date	24,900,086	21,224,525
Net book value:		
At balance sheet date	190,561,410	129,176,195

Investment properties comprise certain commercial properties that are leased to external parties. The directors, having regard to recent market transactions of similar properties in the same location as the Group's investment properties, consider the estimated fair value of the investment properties to be RMB196,205,136 (2010: RMB147,471,563).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to twenty years. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 Jun.2011	*31 Dec.2010*
Within 1 year	10,602,247	2,737,406
After 1 year but within 5 years	42,145,420	6,211,900
After 5 years	23,032,347	5,354,500
	75,780,014	14,303,806

18 Construction in progress

	30 Jun.2011	*31 Dec.2010*
At 1 January	764,282,141	593,208,234
Additions	140,485,549	183,514,194
Transfer to properties under development	(6,490,000)	-
Transfer to property, plant and equipment	(20,894)	(12,440,287)
	898,256,796	764,282,141

Construction in progress represents self-constructed office premises and owner managed hotel under construction.

19 Principal subsidiaries

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
1	Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	Property development
2	Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	Property development
3	Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB2,000,000,000	100%	Property development
4	Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100%	Property management
5	Beijing Zhongliang Vanke Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	Property development
6	Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	Property development
7	Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100%	Property management
8	Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	100%	Property development
9	Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	Property development
10	Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	Property development
11	Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	Property development
12	Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	Property development
13	Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100%	Property management
14	Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	Property development
15	Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,000,000	51%	Property development

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
16	Dalian Vanke City Property Company Limited	Dalian	USD42,000,000	55%	Property development
17	Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	Property development
18	Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	Property development
19	Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100%	Construction research
20	Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100%	Property management
21	Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	Property development
22	Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	Property development
23	Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	Property development
24	Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	Property development
25	Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	Property development
26	Fushun Vanke Property Development Co., Ltd.	Fushun	RMB10,000,000	100%	Property development
27	Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	Property development
28	Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	Property development
29	Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	Property development
30	Guangzhou Vanke Property Management Company Limited	Guangzhou	RMB5,000,000	100%	Property management
31	Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB1,000,000,000	100%	Property development
32	Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	Property development
33	Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	Property development
34	Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100%	Property development
35	Hainan Vanke Property Development Company Limited	Haikou	RMB10,000,000	100%	Property development
36	Hangzhou Liangzhu Culture Town Development Company Limited	Hangzhou	RMB30,000,000	100%	Property development
37	Hangzhou Vanke Hotel Management Company Limited	Hangzhou	RMB10,000,000	100%	Hotel management
38	Hangzhou Linlu Property Development Company Limited	Hangzhou	RMB170,000,000	100%	Property development
39	Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	Property development
40	Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	Property development

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
41	Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	Property development
42	Hefei Vanke Property Company Limited	Hefei	RMB200,000,000	100%	Property development
43	Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	Property development
44	Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	Property development
45	Jiaxing Vanke Property Development Co., Ltd.	Jiaxing	RMB100,000,000	100%	Property development
46	Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	Property development
47	Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	Property development
48	Nanjing Jinyu Blue Property Company Limited	Nanjing	RMB90,000,000	100%	Property development
49	Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	Property development
50	Nantong Vanke Property Development Co., Ltd.	Nantong	RMB8,000,000	100%	Property development
51	Ningbo Jiangbei Vanke Property Company Limited	Ningbo	RMB675,000,000	100%	Property development
52	Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	Property development
53	Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60%	Property development
54	Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	Property development
55	Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	Property development
56	Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	Property development
57	Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	Property development
58	Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	100%	Property development
59	Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	Property development
60	Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	Property development
61	Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90%	Property development
62	Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	Property development
63	Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100%	Property development
64	Shanghai Vanke Property Management Company Limited	Shanghai	RMB12,260,000	100%	Property management
65	Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100%	Property development
66	Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	Property development

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
67	*Shanghai Xiangda Real Estate Development Company Limited*	*Shanghai*	*RMB1,783,000,000*	*75%*	*Property development*
68	*Shanxi Hualian Property Development Company Limited*	*Xi'an*	*RMB367,850,000*	*51%*	*Property development*
69	*Shenyang Vanke Hunnan Jinyu Property Development Company Limited*	*Shenyang*	*RMB1,022,520,258*	*100%*	*Property development*
70	*Shenyang Vanke Jinyu Blue Bay Property Development Company Limited*	*Shenyang*	*RMB578,150,000*	*100%*	*Property development*
71	*Shenyang Vanke Property Management Company Limited*	*Shenyang*	*RMB10,000,000*	*100%*	*Property management*
72	*Shenyang Vanke Real Estate Development Company Limited*	*Shenyang*	*RMB100,000,000*	*100%*	*Property development*
73	*Shenyang Vanke Tianqinwan Property Company Limited*	*Shenyang*	*USD99,980,000*	*55%*	*Property development*
74	*Shenzhen Fuchun East (Group) Company Limited*	*Shenzhen*	*USD 14,600,000*	*100%*	*Property development*
75	*Shenzhen Fuchun East Real Estate Company Limited*	*Shenzhen*	*RMB158,000,000*	*100%*	*Property development*
76	*Shenzhen Longcheer Yacht Club Company Limited*	*Shenzhen*	*RMB57,100,000*	*100%*	*Club Service*
77	*Shenzhen Vanke City Scenery Property Company Limited*	*Shenzhen*	*RMB120,000,000*	*100%*	*Property development*
78	*Shenzhen Vanke Daolin Investment Development Company Limited*	*Shenzhen*	*RMB20,000,000*	*100%*	*Property development*
79	*Shenzhen Vanke Financial Consultancy Company Limited*	*Shenzhen*	*RMB15,000,000*	*100%*	*Investment trading and Consultancy services*
80	*Shenzhen Vanke Nancheng Real Estate Company Limited*	*Shenzhen*	*RMB10,000,000*	*100%*	*Property development*
81	*Shenzhen Vanke Property Management Company Limited*	*Shenzhen*	*RMB50,000,000*	*100%*	*Property management*
82	*Shenzhen Vanke Real Estate Company Limited*	*Shenzhen*	*RMB600,000,000*	*100%*	*Property development*
83	*Shenzhen Vanke Xingye Property Company Limited*	*Shenzhen*	*RMB62,413,230*	*100%*	*Property development*
84	*Shenzhen Vanke Xizhigu Real Estate Company Limited*	*Shenzhen*	*RMB10,000,000*	*60%*	*Property development*
85	*Suzhou Huihua Investment and Property Company Limited*	*Suzhou*	*RMB355,000,000*	*51%*	*Property development*
86	*Suzhou Nandu Jianwu Company Limited*	*Suzhou*	*RMB300,000,000*	*70%*	*Property development*
87	*Suzhou Vanke Zhongliang Property Company Limited*	*Suzhou*	*RMB230,000,000*	*51%*	*Property development*
88	*Taiyuan Vanke Real Estate Company Limited*	*Taiyuan*	*RMB60,000,000*	*100%*	*Property development*

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
89	*Tander China Investment Company Limited*	*Hong Kong*	*HKD10,000*	*100%*	*Investment*
90	*Tangshan Vanke Property Development Co., Ltd.*	*Tangshan*	*RMB200,000,000*	*100%*	*Property development*
91	*Tianjin Vanke Property Management Company Limited*	*Tianjin*	*RMB10,000,000*	*100%*	*Property management*
92	*Tianjin Vanke Real Estate Company Limited*	*Tianjin*	*RMB390,000,000*	*100%*	*Property development*
93	*Tianjin Vanke Xinlicheng Company Limited*	*Tianjin*	*RMB230,000,000*	*100%*	*Property development*
94	*Tianjin Wanbin Real Estate Development Company Limited*	*Tianjin*	*RMB455,000,000*	*60%*	*Property development*
95	*Tianjin Wanfu Investment Company Limited*	*Tianjin*	*RMB192,000,000*	*100%*	*Property development*
96	*Tianjin Wanzhu Investment Company Limited*	*Tianjin*	*RMB20,000,000*	*100%*	*Property development*
97	*Tianjin Zhongtian Wanfang Investment Company Limited*	*Tianjin*	*RMB20,000,000*	*100%*	*Property development*
98	*Vanke (Chongqing) Real Estate Company Limited*	*Chongqing*	*RMB100,000,000*	*100%*	*Property development*
99	*Vanke Property (Hong Kong) Company Limited*	*Hong Kong*	*USD9,500,000*	*100%*	*Investment*
100	*Vanke Real Estate (Hong Kong) Company Limited*	*Hong Kong*	*HKD15,600,000*	*100%*	*Investment*
101	*Wuhan Guohao Property Company Limited*	*Wuhan*	*RMB10,000,000*	*55%*	*Property development*
102	*Wuhan Vanke Property Management Company Limited*	*Wuhan*	*RMB12,000,000*	*100%*	*Property management*
103	*Wuhan Vanke Real Estate Company Limited*	*Wuhan*	*RMB150,000,000*	*100%*	*Property development*
104	*Wuhan Vanke Tiancheng Real Estate Company Limited*	*Wuhan*	*USD12,100,000*	*55%*	*Property development*
105	*Wuhan Wangjiadun Morden City Property Company Limited*	*Wuhan*	*RMB200,000,000*	*100%*	*Property development*
106	*Wuxi Dongcheng Real Estate Company Limited*	*Wuxi*	*USD149,400,000*	*100%*	*Property development*
107	*Wuxi Vanke Real Estate Company Limited*	*Wuxi*	*RMB300,000,000*	*60%*	*Property development*
108	*Wuxi Wansheng Real Estate Development Company Limited*	*Wuxi*	*USD49,200,000*	*100%*	*Property development*
109	*Xiamen Vanke Real Estate Company Limited*	*Xiamen*	*RMB50,000,000*	*100%*	*Property development*
110	*Xi'an Vanke Real Estate Company Limited*	*Xi'an*	*RMB20,000,000*	*100%*	*Property development*
111	*Xinjiang Vanke Real Estate Company Limited*	*Wulumuqi*	*RMB100,000,000*	*100%*	*Property development*
112	*Yangzhou Wanwei Property Company Limited*	*yangzhou*	*RMB550,000,000*	*65%*	*Property development*
113	*Yantai Vanke Property Development Co., Ltd.*	*Yantai*	*RMB30,000,000*	*100%*	*Property development*
114	*Zhejiang Vanke Nandu Real Estate Company Limited*	*Hangzhou*	*RMB150,000,000*	*100%*	*Property development*
115	*Zhenjiang RunduProperty Company Limited*	*Zhenjiang*	*RMB20,000,000*	*100%*	*Property development*
116	*Zhenjiang Runnan Property Company Limited*	*Zhenjiang*	*RMB50,000,000*	*100%*	*Property development*

19 Principal subsidiaries (continued)

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
117	Zhenjiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
118	Zhenjiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
119	Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	Property development
120	Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	95%	Property development

Note: The directors consider these entities as subsidiaries of the Group as the Group has the power to govern the financial and operating policies of these entities.

20 Interest in associates

Details of the Group's principal associates at 30 June 2011 are as follows:

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
1	Beijing Jinyu Vanke Property Development Company Limited	Beijing	RMB190,000,000	49%	Property development
2	Wuhan Golf City Gardern Real Estate Company Limited (note1)	Wuhan	RMB219,000,000	49%	Property development
3	Shanghai Nandu White Horse Real Estate Company Limited (note1)	Shanghai	RMB27,000,000	49%	Property development
4	Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note1)	Chengdu	RMB140,000,000	49%	Property development
5	Hefei Yihang Vanke Real Estate Company Limited (note2)	Hefei	RMB101,500,000	50%	Property development
6	Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note1)	Suzhou	RMB280,000,000	49%	Property development
7	Changsha Oriental City Real Esteate Company Limited	Changsha	RMB20,000,000	20%	Property development
8	Shanghai Zunyi Property Management Company Limited	Shanghai	RMB3,000,000	30%	Property management
9	Foshan Shunde District Zhonghang Vanke Property Company Limited	Foshan	RMB600,000,000	15%	Property development
10	Xiamen Wantefu Property Development Company Limited	Xiamen	RMB890,000,000	30%	Property development
11	Guangzhou Yinyejunrui Property Development Company Limited (note1)	Guangzhou	RMB10,000,000	49%	Property development
12	Shanghai Jingyuan Property Development Company Limited	Shanghai	RMB555,000,000	45%	Property development
13	Langfang Kuangshijiye Property Development Company Limited (note2)	Langfang	USD55,000,000	50%	Property development
14	Shanghai Vanke Changning Property Development Company Limited (note1)	Shanghai	RMB30,000,000	49%	Property development
15	Shanghai Chongwan Property Development Company Limited (note1)	Shanghai	RMB265,000,000	49%	Property development
16	Shenyang Zhongtie Vanke Langyu Property Development Company Limited (note2)	Shenyang	RMB100,000,000	51%	Property development

20 Interest in associates (continued)

Details of the Group's principal associates at 30 June 2011 are as follows:

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
17	*Chongqing Wanbin Property Development Company Limited*	*Chongqing*	*RMB40,000,000*	*45%*	*Property development*
18	*Suzhou Kejian Property Development Limited (note1)*	*Nanjing*	*RMB300,000,000*	*49%*	*Property development*
19	*Shenzhen Oriental Xinyue Industry Company Limited*	*Shenzhen*	*RMB36,157,231*	*30%*	*Property development*
20	*Beijing Wukuang Vanke Real Estate Company Limited*	*Beijing*	*RMB50,000,000*	*49%*	*Property development*
21	*Beijing Wuyuan Kesheng Property Development Company Limited*	*Beijing*	*RMB50,000,000*	*49%*	*Property development*

Notes:

(1) Except for the 15% equity interest held directly, the Group also hold 34% effective equity interest in these associates through a jointly controlled entity.

(2) Pursuant to the voting rights in the board of directors, the Group has significant influence in these entities.

Summary financial information on associates:

2011

	Assets	*Liabilities*	*Equity (attribute to parent)*	*Revenue*	*Profit*
100 per cent	29,279,946,817	24,689,378,399	4,590,568,419	550,880,087	52,944,950
Group's effective interest	12,535,648,911	10,976,508,009	1,559,140,902	10,691,008,188	30,061,451

2010

	Assets	*Liabilities*	*Equity (attribute to parent)*	*Revenue*	*Profit*
100 per cent	18,944,068,998	16,041,669,436	2,902,399,562	2,132,331,659	259,959,560
Group's effective interest	7,936,100,353	6,900,224,451	1,035,875,902	6,802,932,796	135,391,172

21 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 30 June 2011are as follows:

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
1	Shanghai Jialai Real Estate Development Company Limited (note 1)	Shanghai	RMB180,000,000	49%	Property development
2	Zhonghang Vanke Company Limited (note 1)	Beijing	RMB3,000,000,000	40%	Property development
3	Dongguan Vanke Property Company limited	Dongguan	RMB10,000,000	50%	Property development
4	Wuhan Vanke Qinganju Property Development Limited (note 1)	Wuhan	RMB100,000,000	30%	Property development
5	Yunnan Vanke City Property Company Limited (note 2)	Kunming	RMB10,000,000	51%	Property development
6	Changsha Lingyu Real Estate Development Company Limited (note 2)	Changsha	RMB100,000,000	60%	Property development
7	Changsha Lingyu Investment Company Limited (note 2)	Changsha	RMB100,000,000	60%	Property development
8	Beijing Zhongliang Vanke Real Estate Development Company Limited	Beijing	RMB800,000,000	50%	Property development
9	Changchun Vanke Xizhigu Real Estate Development Company Limited	Changchun	RMB50,000,000	50%	Property development
10	Shanghai Anhong Real Estate Investment Company Limited (note 2)	Shanghai	RMB5,000,000	65%	Property development
11	Tianjin Diwan Investment Company Limited (note 1)	Tianjin	RMB39,215,700	40%	Property development
12	Hanzhou Xiangge Investment Management Company Limited	Hanzhou	RMB2,000,000	50%	Investment and Comsultation
13	Hangzhou Dongshang Property Development Company Limited	Hangzhou	RMB20,000,000	50%	Property development
14	Beijing Wanxin Investment Development Company	Beijing	RMB740,000,000	50%	Investment
15	Zhuhai Haiyu Property Development Company Limited	Zhuhai	RMB63,800,000	50%	Property development
16	Shenzhen Mingjue Investment Development Company Limited (note1)	Shenzhen	RMB15,000,000	50%	Property development
17	Changchun Vanke Jingcheng Real Estate Development Company Limited (note 1)	Changchun	RMB230,000,000	10%	Property development
18	Tianjin Songke Real Estate Development Company Limited	Tianjin	RMB20,000,00	49%	Property development
19	Beijing Jingtou Vanke Real Estate Development Company Limited	Beijing	RMB10,000,000	50%	Property development
20	Fuyang Yongtong property limited (note1)	Fuyang	RMB10,000,000	20%	Property development
21	Shenzhen Wan Hongjia investment and Development Company Limited (note1)	Shenzhen	RMB1,000,000	44%	Property development
22	Pingdu Vanke Property Development Company Limited (note2)	Qingdao	RMB200,000,000	51%	Property development

Notes:

(1) A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.

(2) The Group is entitled to 50% voting right of the entity as the board of directors are appointed by the Group and the counterpart equally.

21 Interest in jointly controlled entities (continued)

Summary of financial information on jointly controlled entities – Group's effective interest

	30 Jun.2011	*31 Dec.2010*
Non-current assets	1,199,270,552	1,007,854,238
Current assets	13,333,137,531	11,412,122,663
Non-current liabilities	(1,898,968,552)	(1,696,033,060)
Current liabilities	(9,172,213,553)	(7,349,869,821)
Net assets	3,461,225,978	3,374,074,020
Income	248,374,909	736,608,594
Expenses	(270,662,951)	(580,296,720)
Profit for the period	(22,288,042)	156,311,874

22 Other financial assets

	30 Jun.2011	*31 Dec.2010*
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	484,396,206	483,801,709
- Listed in the PRC	4,763,600	4,763,600
	489,159,806	488,565,309

Unlisted equity securities include RMB 400,000,000 share of interest in an unquoted trust plan, which is measured at cost because it does not have a quoted market price in an active market and its fair value cannot be reliably measured.

23 Deferred tax assets / (liabilities)

(a) Deferred tax assets

Deferred tax assets are attributable to the items detailed as follows:

	30 Jun.2011	*31 Dec.2010*
Tax losses	704,309,146	496,291,102
Impairment loss of trade and other receivables	30,923,796	23,576,692
Provision for diminution in value of properties	1,852,014	1,852,014
Accruals for construction costs	184,094,523	164,906,761
Accrual for Land Appreciation Tax	844,235,589	791,527,641
Other temporary differences	169,691,116	165,003,818
	1,935,106,184	1,643,158,028

Deferred tax assets have not been recognised in respect of the following temporary differences:

	30 Jun.2011	*31 Dec.2010*
Tax losses	1,013,662,918	913,360,587
Deductible temporary differences	81,120,889	80,904,533
	1,094,783,807	994,265,120

The tax losses expire between 2011 and 2016. The deductible temporary differences will not expire under the current tax legislation. The above deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

23 Deferred tax assets / (liabilities) (continued)

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the items detailed as follows:

	30 Jun.2011	*31 Dec.2010*
Fair value adjustments arising from business combinations	(1,023,041,591)	(1,043,812,713)
Others	(46,956,614)	(42,291,625)
	(1,069,998,205)	(1,086,104,338)

(c) Movements in deferred taxation, net:

	30 Jun.2011	*31 Dec.2010*
At 1 January	557,053,690	44,380,693
Transferred to consolidated income statement (note 12(a))	308,054,289	484,369,980
Recognised in other comprehensive income (note 13(a))	-	28,303,017
At balance sheet date	865,107,979	557,053,690

24 Inventories

	30 Jun.2011	*31 Dec.2010*
Raw materials	45,885,306	93,090,534
Inventories recognised as cost of sales for the period	-	14,611,519

25 Properties held for development, properties under development and completed properties for sale

(a) The analysis of carrying value of land held for property development for sale is as follows:

	30 Jun.2011	*31 Dec.2010*
With lease term of 50 years or more	81,558,746,067	74,120,183,049
With lease term of less than 50 years	9,714,303,041	8,117,186,497
	91,273,049,108	82,237,369,546

25 Properties held for development, properties under development and completed properties for sale (continued)

(b) The analysis of the amount of completed properties for sale recognised as an expense is as follows:

	30 Jun. 2011	*31 Dec. 2010*
Carrying amount of properties sold	10,708,754,582	29,629,562,621
Reversal of write-down of properties	-	616,667,200
	10,708,754,582	30,246,229,821

The reversal of write-down of properties made in prior years arose due to an increase in the estimated net realisable value of certain completed properties as a result of recovery in certain regional property markets.

26 Trade and other receivables

	30 Jun. 2011	*31 Dec. 2010*
Debtors and other receivables	10,146,089,419	10,438,706,738
Less: allowance for doubtful debts	(262,802,802)	(196,807,448)
	9,883,286,617	10,241,899,290
Amount due from associates and jointly controlled entities	8,515,549,680	6,291,361,109
Less: allowance for doubtful debts	(1,401,033)	(922,620)
	8,514,148,647	6,290,438,489
Prepaid taxes	9,185,555,192	4,900,760,138
Deposits and prepayments	10,041,925,214	12,937,243,327
	37,624,915,670	34,370,341,244

Note: Deposits and prepayments represent deposits paid for purchasing properties held for development and prepayments to contractors for constructions.

The Group’s credit policy is set out in note 38(b).

All of the trade and other receivables, apart from deposits of RMB889million (2010: RMB693million), are expected to be recovered within one year.

Deposits and prepayments mainly represent tendering deposits for acquisitions of land and prepayment for land and development costs of projects undertaken by the Group.

26 Trade and other receivables (continued)

Impairment of trade debtors and other receivables

Impairment losses in respect of trade debtors and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movements in the allowance for specific doubtful debts during the year are as follows:

	30 Jun. 2011	*31 Dec. 2010*
At 1 January	197,730,068	164,299,563
Impairment loss recognized	68,438,617	71,216,196
Uncollectible amounts written off	(1,964,850)	(37,785,691)
At 30 June	264,203,835	197,730,068

At 30 June 2011, the Group's trade debtors and other receivables of RMB264 million, (2010: RMB198 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB264 million (2010: RMB198 million) were recognised. The Group does not hold any collateral over these balances.

Trade debtors and other receivables that are not impaired

The ageing analysis of trade debtors and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	30 Jun. 2011	*31 Dec. 2010*
Neither past due nor impaired	15,095,110,534	14,703,122,236
Less than 1 year past due	3,302,324,730	1,829,215,543
	18,397,435,264	16,532,337,779

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27 Cash and cash equivalents and pledged deposits

	30 Jun. 2011	*31 Dec. 2010*
- Cash in hand	805,166,005	1,993,017
- Deposits at banks	39,967,225,331	37,809,601,086
- Other cash equivalents	7,077,198	5,338,809
	40,779,468,534	37,816,932,912

Cash and cash equivalents and pledged deposits consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB 2,720 million (2009: RMB 999 million) and RMB 374 million (2009: RMB 403 million) unused proceeds raised in prior year share allotment with restriction for designated purposes.

28 Share capital

	30 Jun. 2011		*31 Dec. 2010*	
	Number of shares	*Nominal value*	*Number of shares*	*Nominal value*
Registered, issued and fully paid:				
A shares of RMB1 each	9,680,254,750	9,680,254,750	9,680,254,750	9,680,254,750
B shares of RMB1 each	1,314,955,468	1,314,955,468	1,314,955,468	1,314,955,468
	10,995,210,218	10,995,210,218	10,995,210,218	10,995,210,218

The holders of A and B share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

A summary of the movements in the Company's share capital during 2011 is as follows:

	Issued share capital		
	A shares	*B shares*	*Total*
At 1 January 2011	9,680,254,750	1,314,955,468	10,995,210,218
At 30 June 2011	9,680,254,750	1,314,955,468	10,995,210,218

There were no movements in share capital during 2011.

29 Reserves

(a) Statutory reserves

Statutory reserves include the following items:

(i) Statutory surplus reserve

According to the PRC Company Law, the Company is required to transfer 10% of its profit after taxation, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to equity shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the period ended 30 June 2011, the Company transferred RMB nil (2010: RMB308,310,815), being 10% of the Company's current year's net profit as determined in according with the PRC Accounting Rules and Regulations, to this reserve.

(ii) Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

For the six months ended 30 June 2011, the directors proposed to transfer RMB nil (2010: RMB1,541,554,007), being nil (2010: 50%) of the Company's current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(b) Employee share-based compensation reserve

Employee share-based compensation reserve comprises the fair value of the shares awarded under the Employees' share award scheme (see note 34) to the employees of the Company recognised in accordance with the accounting policy adopted for equity compensation benefits as stated in note 3(o)(ii).

During the reporting period ended 30 June 2011, equity-based employee benefits of RMB 26,081,585 were charged to the consolidated income statement and with the corresponding amount credited to the reserve, which was related to the 2011 Scheme.

29 Reserves (continued)

(c) Revaluation reserve

Revaluation reserve comprises the cumulative net change in fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy as stated in note 3(c)(i).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing its properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions, inclusive latest market trend, land price, cash flow and profit forecasts. In order to maintain a sound capital position, the Group may adjust the amount of dividends payable to shareholders, issue new shares, issue bonds or raise new debt financing.

30 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing borrowings and bonds. For more information about the Group's exposure to interest rate and foreign exchange risks, please refer to note 39.

	30 Jun. 2011	*31 Dec. 2010*
Non-current		
Secured or guaranteed		
- bank loans (note (a))	4,917,062,375	4,926,229,291
- corporate bonds (note (b))	2,948,601,416	2,937,122,406
- other borrowings(note(c))	8,279,631,667	1,600,000,000
	16,145,295,458	9,463,351,697
Unsecured		
- bank loans (note (a))	8,741,074,208	11,746,440,000
- corporate bonds (note (b))	2,886,931,285	2,884,022,101
- other borrowings (note (c))	2,000,000,000	6,517,830,000
	13,628,005,493	21,148,292,101
	29,773,300,951	30,611,643,798

At 30 June, non-current interest-bearing borrowings and bonds were repayable as follows:

	30 Jun. 2011	*31 Dec. 2010*
After 1 year but within 2 years	16,477,180,550	19,850,291,042
After 2 years but within 5 years	13,296,120,401	10,761,352,756
	29,773,300,951	30,611,643,798

30 Interest-bearing borrowings and bonds (continued)

	30 Jun. 2011	*31 Dec. 2010*
Current		
Secured or guaranteed		
- bank loans (note (a))	-	80,000,000
- current portion of long term bank loans (note (a))	2,196,063,713	1,395,690,787
	2,196,063,713	1,475,690,787
Unsecured		
- bank loans (note (a))	1,509,200,000	1,300,000,000
- entrusted bank loan from jointly controlled entity(note (a))	98,000,000	98,000,000
- current portion of long term bank loans (note (a))	9,718,000,000	3,710,000,000
- current portion of long term other borrowings (note (c))	9,517,830,000	10,200,000,000
	20,843,030,000	15,308,000,000
	23,039,093,713	16,783,690,787

Notes:

(a) Bank loans

The secured or guaranteed bank loans of RMB1,271 million as at 30 June 2011(2010: RMB6,402 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB4,472 million (2010: RMB1,076 million), the Group's interests in certain subsidiaries.

The secured or guaranteed bank loans of RMB42 million as at 30 June 2011(2010: RMB nil) are secured over certain property, plant and equipment with aggregate carrying value of RMB243 million (2010: RMB nil), the Group's interests in certain subsidiaries.

The interest rate of bank loans ranges from 4.86% to 8.33% in 2011 (2010: from 4.86% to 10.20%).

(b) Corporate bonds

	2011	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,884,022,101	2,937,122,406
Transaction costs amortised	2,909,184	11,479,010
Carrying value at 30 June	2,886,931,285	2,948,601,416

30 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(b) Corporate bonds (continued)

	2010	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,878,507,630	2,915,228,176
Transaction costs amortised	5,514,471	21,894,230
Carrying value at 31 December	2,884,022,101	2,937,122,406

In September 2008, the Company issued two series of corporate bonds, namely the "No. 101688 Bonds" and the "No. 101699 Bonds", amounting to RMB5,900 million. Both Bonds are listed on the Shenzhen Stock Exchange.

The No. 101688 Bonds are with no guarantee and are interests bearing at a rate of 7% per annum payable in arrears on 6 September 2009, 2010 and 2011. In accordance with the terms of the No. 101688 Bonds, on 6 September 2011 the Company has the option to adjust upward the interest rate of the Bonds for the next two years by 0-100 points and each of the Bond is, at the option of the bondholder, redeemable at its par value of RMB 100 each on the same date. If not being redeemed on 6 September 2011, the Bonds are repayable on 6 September 2013 and the interest for the next two years is payable in arrear on 6 September 2012 and 2013.

The No. 101699 Bonds are guaranteed by the China Construction Bank Shenzhen branch and are repayable on 6 September 2013. The Bonds are interest bearing at a rate of 5.5% per annum payable in arrears on 6 September 2009, 2010, 2011, 2012 and 2013.

(c) Other borrowings

	30 Jun. 2011	*31 Dec. 2010*
Non-current		
Proceeds	10,590,400,000	8,117,830,000
Transaction costs	(310,768,333)	-
	10,279,631,667	8,117,830,000
Current portion of long term other borrowings		
Proceeds	9,517,830,000	10,200,000,000

30 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(c) Other borrowings (continued)

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rate. The interest rate of these borrowings ranges from5.76% to 11.80% in 2011 (2010: 5.04% to 10.05%).

31 Other non-current liabilities

Other non-current liabilities mainly represent the amounts that hold on behalf of the owners committees in the property management sector.

32 Trade and other payables

	30 Jun.2011	*31 Dec.2010*
Trade payable	18,435,021,487	16,923,777,819
Amounts due to associates and jointly controlled entities	3,048,901,244	2,148,384,968
Deposits received in advance	107,073,555,083	74,405,197,319
Other payables and accrued expenses	14,980,277,683	12,348,724,974
Other taxes	142,239,065	312,259,601
Total	143,679,994,562	106,138,344,681

33 Provisions

	30 Jun.2011	*31 Dec.2010*
Balance at 1 January	41,107,323	34,355,815
Provisions made during the six months period	18,818,680	14,351,190
Provisions used during the six months period	(14,488,257)	(7,599,682)
Balance at 30 June	45,437,746	41,107,323

The balance represents the estimated losses to be borne by the Group in relation to the property management projects.

34 Employees' share award scheme

1) Background of the Scheme

Total number of shares granted during the reporting period	108,435,000
Total number of shares exercised during the reporting period	-
Total number of shares forfeited during the reporting period	-
The range of exercise price and remaining contractual life of the share options outstanding at the end of the reporting period	At 30 June 2011, the exercise price of the share options outstanding was RMB8.79 per share, and their remaining contractual life was 4 years and 10 months.
The range of exercise price and remaining contractual life of other equity instruments outstanding at the end of the reporting period	At 30 June 2011, no other equity instruments for Group.

On 18 April 2011, the board of directors of Group has passed the proposal related to grant A-share share options incentive plan, and confirmed the grant date of this A-share share options incentive plan ("incentive plan") as at 25 April 2011. The Group granted total of 108.435 million share options representing 0.9862% of the total number of shares with the total fair value assessed as RMB 279.09 million. The first year after the date of grant was waiting period which should not be exercised. Then the share options will be granted in three exercise periods, and the number of share options available for exercising in the first, second and third exercise period were 40%, 30% and 30% of the total share options granted. At 30 June 2011, the number of 2,800,500 share options has forfeited as the demission of employees, and the fair value of the outstanding inventive plan has been adjusted respectively.

2) Share-base payment by equity-settled

The model for share options fair value on grant date	Black-Scholes option pricing model
The assumption for the number of outstanding share options available for exercising	Assumptions based on the number of of outstanding share options available for exercising on the balance sheet date and the percentage of employees demission in the reporting period.
The reason of significant difference in this reporting period compared with last reporting period	Not applicable
The accumulated amount in reserves for share-base payment by equity-settled	RMB 26,081,585
The accumulated amount in expenses for share-base payment by equity-settled	RMB 26,081,585

34 Employees' share award scheme (continued)

2) Share-base payment by equity-settled (continued)

On each balance sheet date during waiting period, the share-based expense related to share options is recognized as administrate expenses and reserves by the requisite service from incentive employees according to the fair value of share options on grant date which is based on the assumption for the number of outstanding share options available for exercising. The recognised administrate expenses and reserves will be not adjusted during the exercising period. The reserves are recognised according to the outstanding share options available for exercising on each balance sheet date. In this reporting period, the cost of incentive plan has been amortised of RMB 26.08 million in administrate expenses and increased the reserves as the same amount accordingly.

3) Share-base payment by cash-settled

No Share-base payment by cash-settled in the reporting period.

4) Share-base payment on service

No Share-base payment on service in the reporting period.

5) The changes and termination of share-base payment

No changes and termination of share-base payment in the reporting period.

35 Material related party transactions

(a) Reference should be made to the following notes regarding related parties:

Associates	(note 20, 26 & 32)
Jointly controlled entities	(note 21, 26 & 32)
Key management personnel	(see note (b) below)
Post-employment benefit plans	(note 10)

(b) Key management personnel compensations

The key management personnel compensations are as follows:

	2011 Jan. – Jun.	*2010 Jan. – Jun.*
Short-term employee benefits	5,858,819	5,310,268

The above compensations are included in "personnel expenses" (see note 10).

The Group also provides non-monetary employee benefits to the key management personnel in the form of purchase discount on sale of the Group's properties to them. Details of such transactions are as follows:

	2011 Jan. – Jun.	*2010 Jan. – Jun.*
Sales of properties to the key management personnel	4,643,958	5,132,112
Related cost of sales	(2,502,935)	(2,621,867)
Gross profit	2,141,023	2,510,245
Estimated fair value of the properties sold to the key management personnel	4,643,958	5,132,112

All the above were approved by the Board of Directors as a kind of employment benefits to the key management personnel.

In 2010 the Group launched the Excellence Bonus Plan (the "Plan") as a supplement to the existing employee remuneration system. The bonus amount attributable to each year is determined by reference to the key performance indicator of Economic Value Added in the corresponding year.

36 Commitments

(a) Commitments outstanding at 30 June not provided for in the financial statements were as follows:

	30 Jun. 2011	*31 Dec. 2010*
Construction and development contracts	38,415,227,492	19,939,290,788
Land agreements	15,252,503,794	19,829,659,037
	53,667,731,286	39,768,949,825

Commitments mainly related to land and development costs for the Group's properties under development.

(b) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 Jun. 2011	*31 Dec. 2010*
Within 1 year	29,969,580	24,570,464
After 1 year but within 2 years	27,821,110	20,546,767
After 2 year but within 5 years	35,156,737	32,852,954
	92,947,427	77,970,185

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to ten years. None of the leases includes contingent rentals. During the period, the operating lease expense of the Group amounted to RMB43 million (2010: RMB68 million).

37 Contingent liabilities

As at the balance sheet date, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB26,857 million (2010: RMB20,299 million), including guarantees of RMB26,754 million (2010: RMB20,184 million) which will be terminated upon the completion of the transfer procedures with the buyers in respect of the legal title of the properties, and guarantees of RMB103 million (2010: RMB115 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

The directors do not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

38 Financial risk management

Exposure to interest rate, credit, liquidity, currency risks and equity price risk arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings and bonds. Borrowings and bonds issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and terms of repayment of bank loans, borrowings and bonds of the Group are disclosed in note 31 to the financial statements.

At 30 June 2011, it is estimated that a general increase of 0.5% in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately RMB23 million (2010: RMB14 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and other financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables and other financial assets, the Group reviews the exposures and closely monitors the recoverability of the balances on an ongoing basis. Normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

38 Financial risk management (continued)

(c) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2011-06-30				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Loans and borrowings	52,812,394,664	58,107,827,058	26,076,040,302	18,251,026,842	13,780,759,913
Creditors and accrued charges	33,557,538,235	33,557,538,235	33,557,538,235	-	-
Amounts due to jointly controlled entities and associates	3,048,901,244	3,048,901,244	3,048,901,244	-	-
Other non-current liabilities	385,313,713	385,313,713	374,759,203	-	10,554,510

	2010-12-31				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Loans and borrowings	47,395,334,585	51,864,254,960	19,066,509,124	21,491,838,083	11,305,907,753
Creditors and accrued charges	29,584,762,394	29,584,762,394	29,584,762,394	-	-
Amounts due to jointly controlled entities and associates	2,148,384,968	2,148,384,968	2,148,384,968	-	-
Other non-current liabilities	8,816,121	8,816,121	-	-	8,816,121

(d) Foreign exchange risk

The Group is exposed to foreign currency risk primarily on borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

Cash and cash equivalents denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun. 2011	*31 Dec. 2010*
United States Dollars	280,344,566	282,659,984
Hong Kong Dollars	14,445,801	15,734,761
Japanese Yen	12,345,200	192,437,536

Interest-bearing borrowings denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun. 2011	*31 Dec. 2010*
United States Dollars	4,979,487,198	4,530,407,777

38 Financial risk management (continued)

(d) Foreign exchange risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

		30 Jun.2011		*31 Dec.2010*	
	Increase / (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits*	*Effect on other components of equity*	*Effect on profit after tax and retained profits*	*Effect on other components of equity*
United States Dollars	10%	352,435,697	352,185,503	318,581,085	318,397,848
United States Dollars	(10%)	(352,435,697)	(352,185,503)	(318,581,085)	(318,397,848)
Hong Kong Dollars	10%	(1,083,435)	(390,087,393)	(1,180,107)	(376,740,966)
Hong Kong Dollars	(10%)	1,083,435	390,087,393	1,180,107	376,740,966
JPY	10%	(925,890)	-	(14,432,815)	-
JPY	(10%)	925,890	-	14,432,815	-

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(e) Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of the financial position, are as follows:

30 June 2011 *In millions of RMB*	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	37,625	-	-	37,625	37,625
Cash and cash equivalents and pledged deposits	-	40,779	-	-	40,779	40,779
Other financial assets	-	-	489	-	489	489
Other non-current assets	-	1,056	-	-	1,056	1,056
	-	79,460	489	-	79, 949	79, 949
Loans and borrowings	-	-	-	(52,812)	(52,812)	(52,812)
Financial derivatives	(11)	-	-	-	(11)	(11)
Trade and other payables	-	-	-	(143,680)	(143,680)	(143,680)
	(11)	-	-	(196,492)	(196,503)	(196,503)

38 Financial risk management (continued)

(e) Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

31 December 2010 *In millions of RMB*	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	34,370	-	-	34, 370	34, 370
Cash and cash equivalents and pledged deposits	-	37,817	-	-	37,817	37,817
Other financial assets	-	-	489	-	489	489
Other non-current assets	-	1,056	-	-	1,056	1,056
	-	73,243	489	-	73,732	73, 732
Loans and borrowings	-	-	-	(47,395)	(47,395)	(47,395)
Financial derivatives	(15)	-	-	-	(15)	(15)
Trade and other payables	-	-	-	(106,138)	(106,138)	(106,138)
	(15)	-	-	(153,533)	(153,548)	(153,548)

Fair values hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

30 June 2011

In millions of RMB	Level 1	Level 2	Level 3	Total
Financial derivatives	(11)	-	-	(11)

31 December 2010

In millions of RMB	Level 1	Level 2	Level 3	Total
Financial derivatives	(15)	-	-	(15)

39 Non-adjusting post balance sheet events

The Xianghe Huanqing City project was acquired through the open market in September 2010, and was developed by Langfang Wan Heng Sheng Ye Real Estate Development Co., Ltd., which was a wholly-owned subsidiary of the Group. As at June 30th 2011, the book value of the project was RMB 218million, and the consideration of land use right was totally paid off. As the local government had violated the laws in the transfer process of the land use right, the government rectified its mistakes and decided to rescind the transfer of the land use right after the reporting period, and to make compensation to the Group to protect the legal interest. This event will not have significant impact on the consolidated income statement of the Group.

40 Comparative figures

Certain comparative figures have been reclassified to conform with the current periods' presentation.

41 Accounting estimates and judgments

Key sources of estimation uncertainty

(i) Impairment provision for properties held for development, properties under development and completed properties for sale

As explained in notes 3(j) and 3(k), the Group's properties held for development, properties under development and completed properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties held for development and properties under development, and the costs to be incurred in selling the properties. Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Land appreciation tax

As explained in note 12(a), land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in estimates would affect profit or loss in future years.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2011

Up to date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2011 and which have not been adopted in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures* - *Transfers of financial assets*	1 July 2011
IFRS 9, *Financial Instruments*	1 January 2013

China Vanke Co., Ltd.
2011 Interim Report

(For the six months ended 30 June 2011)

Important Notice:

The Board of Directors, the Supervisory Committee and the Directors, members of the Supervisory Committee and senior management of the Company warrant that in respect of the information contained in this report, there are no misrepresentations or misleading statements, or material omission, and individually and collectively accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

Chairman Wang Shi, Director Yu Liang, Director Sun Jianyi, Director Shirley L. Xiao, Independent Director Qi Daqing, Independent Director Zhang Liping, Independent Director Paul Chan Mo Po attended the board meeting in person. Deputy Chairman Qiao Shibo and Director Jiang Wei were not able to attend the board meeting in person due to their business engagements and had authorised Director Yu Liang to represent them and vote on behalf of them at the board meeting. Director Wang Yin was not able to attend the board meeting in person due to his business engagements and had authorised Director Shirley L. Xiao to represent him and vote on his behalf at the board meeting. Independent Director Hua Sheng was not able to attend the board meeting in person due to his business engagements and had authorised Independent Director Qi Daqing to represent him and vote on his behalf at the board meeting.

The Company's interim financial statements have not been audited.

Chairman Wang Shi, Director and President Yu Liang, and Executive Vice President and Supervisor of Finance Wang Wenjin declare that the interim financial statements contained in the interim report are warranted to be true and complete.

I. Basic Corporate Information

1. Company Name (Chinese): 万科企业股份有限公司 (“万科”)
   Company Name (English): CHINA VANKE CO., LTD. (“VANKE”)
2. Registered address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Office address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Website: www.vanke.com
   E-mail address: IR@vanke.com
3. Legal representative: Wang Shi
4. Secretary of the Board: Tan Huajie
   E-mail address: IR@vanke.com
   Securities Affairs Representative: Liang Jie
   E-mail address: IR@vanke.com
   Contact Address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Telephone number: 0755-25606666
   Fax number: 0755-25531696
5. Media for disclosure of information: “China Securities Journal”, “Securities Times”, “Shanghai Securities News”, “Securities Daily” and an English media in Hong Kong.
   Website for publication of the interim report: www.cninfo.com.cn
   Place for interim report collection: The Office of the Company’s Board of Directors
6. Stock exchange on which the Company’s shares are listed: Shenzhen Stock Exchange
   Company’s share abbreviation and stock codes on the stock exchange:
   Vanke A, 000002
   Vanke B, 200002
   08 Vanke G1, 112005
   08 Vanke G2, 112006

7. Major Financial Data and Indicators

Major Financial Indicators（Unit: RMB）

Financial Indicators	Jan.-Jun. 2011	Jan.-Jun. 2010	Change（+/-）
Revenue	**18,886,965,527**	**15,816,254,224**	**19.41%**
Profit from operating activities	6,001,032,670	4,759,015,616	26.10%
Share of profits less losses of associates and jointly controlled entities	7,773,409	94,439,940	-91.77%
Profit before income tax	5,866,823,818	4,840,884,715	21.19%
Income tax expense	(2,614,306,284)	(1,680,063,826)	55.61%
Profit for the period	3,252,517,534	3,160,820,889	2.90%
Profit attributed to minority	274,662,881	348,322,316	-21.15%
Profit attributable to equity shareholders of the Company	**2,977,854,653**	**2,812,498,573**	**5.88%**
Basic earnings per share	**0.27**	**0.26**	**3.85%**
Diluted earnings per share	0.27	0.26	3.85%

II. Change in Share Capital and Shareholdings of Major Shareholders

1. Change in Share Capital (as at 30 June 2011)

Unit: Share

Class of Share	Before the Change		Increase / decrease (+, -)	After the Change	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
I. Restricted Shares					
1. State-owned and State-owned legal person shares					
2. Shares held by domestic non-State-owned legal persons					
3. Shares held by domestic natural persons	19,364,778	0.18%	+2,311,646	21,676,424	0.20%
4. Shares held by foreign investors					
Total number of restricted shares	**19,364,778**	**0.18%**	**+2,311,646**	**21,676,424**	**0.20%**
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,660,889,972	87.86%	-2,311,646	9,658,578,326	87.84%
2. Domestic listed foreign shares (B shares)	1,314,955,468	11.96%	0	1,314,955,468	11.96%
Total number of non-restricted shares	**10,975,845,440**	**99.82%**	**-2,311,646**	**10,973,533,794**	**99.80%**
III. Total Number of Shares	**10,995,210,218**	**100.00%**	**0**	**10,995,210,218**	**100.00%**

Note: Change in the senior management staff of the Company during the reporting period led to corresponding change in the number of restricted tradable shares and non-restricted tradable shares of the Company.

2. The shareholdings of the Company's top 10 shareholders and the shareholdings of the top 10 holders of non-restricted shares (as at 30 June 2011)

Unit: Share

Total number of shareholders	1,018,112 (including 995,866 holders of A shares and 22,246 holders of B Shares)				
Shareholdings of the top 10 shareholders					
Name of shareholder	**Classification of shareholder**	**Percentage of shareholdings**	**Total number of shares held**	**Number of restricted shares held**	**Number of pledged or lock-up shares**
China Resources Co., Limited ("CRC")	State-owned legal person	14.73%	1,619,094,766	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
Bosera Theme Industry Stock Securities Investment Fund	Others	1.14%	125,043,403	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Others	0.98%	107,892,676	0	0
Bosera Value Growth Securities Investment Fund	Others	0.91%	100,000,000	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.79%	87,231,358	0	0
UBS AG	Others	0.73%	80,800,552	0	0
National Social Security Fund – Portfolio 103	Others	0.71%	78,040,223	0	0
Toyo Securities Asia Limited - A/C Client	Foreign shareholder	0.63%	69,347,376	0	0
Staff Committee of China Vanke Co., Ltd.	Others	0.61%	67,168,517	0	0

Shareholdings of the top 10 holders of non-restricted shares

Name of shareholder	**Number of non-restricted shares held**	**Class of shares**
CRC	1,619,094,766	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
Bosera Theme Industry Stock Securities Investment Fund	125,043,403	Ordinary RMB-denominated shares (A shares)
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	107,892,676	Ordinary RMB-denominated shares (A shares)
Bosera Value Growth Securities Investment Fund	100,000,000	Ordinary RMB-denominated shares (A shares)
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	87,231,358	Ordinary RMB-denominated shares (A shares)

UBS AG	80,800,552	Ordinary RMB-denominated shares (A shares)
National Social Security Fund – Portfolio 103	78,040,223	Ordinary RMB-denominated shares (A shares)
Toyo Securities Asia Limited - A/C Client	69,347,376	Domestic listed foreign shares (B shares)
Staff Committee of China Vanke Co., Ltd.	67,168,517	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	"Bosera Theme Industry Stock Securities Investment Fund", "Bosera Value Growth Securities Investment Fund" and "National Social Security Fund – Portfolio 103" are managed by Bosera Asset Management Co., Ltd. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under "the Measures for the Administration of the Takeover of Listed Companies" among the above-mentioned shareholders.	

3. Bond holdings of the Company's top 10 bondholders (as at 30 June 2011)

(1) Name of the top 10 bondholders of 08 Vanke G1 bonds and their bond holdings

No.	Bondholder	No. of bonds held
1	New China Life Insurance Company – Dividend Distribution – Individual Dividend – 018L-FH002 Shen	5,548,262
2	China Petroleum Finance Co., Ltd.	4,157,662
3	China Pacific Insurance (Group) Co., Ltd.	3,433,312
4	China Ping An Property and Casualty Insurance Company Limited – Traditional – General Insurance Products	2,698,727
5	China Life Insurance Company Ltd.	2,619,042
6	Taiping General Insurance Co., Ltd.	1,003,216
7	China Life Pension Company Ltd. – Internal Resources	1,000,000
8	CNPC Pension Scheme - ICBC	994,145
9	China Life Property and Casualty Insurance Company Ltd. – Traditional – General Insurance Products	820,000
10	China Property & Casualty Reinsurance Company Ltd.	776,162

Note: China Life Property and Casualty Insurance Company Limited, which manages "China Life Property and Casualty Insurance Company Ltd. – Traditional – General Insurance Products", and China Life Pension Company Limited, which manages "China Life Pension Company Ltd. – Internal Resources", are subsidiaries of China Life Insurance Company Limited. China Petroleum Finance Co., Ltd is the subsidiary of CNPC, which is the appointor of CNPC Pension Scheme – ICBC. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

(2) Name of the top 10 bondholders of 08 Vanke G2 bonds and their bondholdings

No.	Bondholder	No. of bonds held
1	ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund	2,196,450
2	Harvest Stable Earning Bond Securities Investment Fund	1,662,209
3	Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	1,230,000
4	China AMC Bond Investment Fund	1,117,021
5	China Ping An Trust & Investment Co. Ltd – CMB Furui Life Individual	902,223
6	National Social Security Fund – Portfolio 801	849,388
7	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients	826,141
8	China Ping An Trust & Investment Co., Ltd. – Bank Comm Furui Life Dividend Distribution	742,569
9	CNPC Pension Scheme - ICBC	615,886
10	China AMC Classic Allocation Fund	550,000

Note: "ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund" and "ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients" are managed by ICBC Credit Suisse Asset Management Co., Ltd. "China AMC Bond Investment Fund" and "China AMC Classic Allocation Fund" are managed by China AMC Fund. "China Ping An Trust & Investment Co. Ltd – CMB Furui Life Individual" and "China Ping An Trust & Investment Co. Ltd – Bank Comm Furui Life Dividend Distribution" are managed by China Ping An Trust & Investment Co. Ltd. Apart from the above-mentioned relationship, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

4. Changes in controlling shareholder and beneficial controller

There was neither controlling shareholder nor beneficial controller in the Company, and this situation remained the same during the reporting period.

III. Directors, Members of Supervisory Committee, Senior Management

1. Changes in the shareholdings of Directors, members of the Supervisory Committee and senior management during the reporting period

Unit: Share

Name	Capacity	31-Dec-2010	30-Jun-10
Wang Shi	Chairman	6,817,201	6,817,201
Yu Liang	Director, President	4,106,245	4,106,245
Ding Fuyuan	Chairman of the Supervisory Committee	2,018,408	2,018,408
Sun Jianyi	Director	692,236	692,236
Ding Changfeng	Executive Vice President	1,487,660	1,487,660
Xie Dong	Executive Vice President	1,487,660	1,487,660
Zhang Jiwen	Executive Vice President	1,548,950	1,548,950
Mo Jun	Executive Vice President	1,548,950	1,548,950
Shirley L. Xiao	Director, Executive Vice President	1,446,849	1,446,849
Wang Wenjin	Executive Vice President	1,343,591	1,343,591
Du Jing	Executive Vice President	735,812	735,812
Zhou Weijun	Executive Vice President	1,038,065	1,038,065
Yuan Boyin	Executive Vice President	207,664	207,664
Zhou Qingping	Member of the Supervisory Committee	20,000	20,000

Note: Save for the above-mentioned persons, other Directors, members of the Supervisory Committee and senior management of the Company did not hold any of the Company’s shares.

2. Appointment of Directors, members of the Supervisory Committee and senior management of the Company during the reporting period

During the reporting period, Mr Wang Shi, Mr Qiao Shibo, Mr Yu Liang, Mr Sun Jianyi, Mr Wang Yin, Ms Shirley L. Xiao, Mr Jiang Wei were elected as the directors of the sixteenth session of the Board and Mr Qi Daqing, Mr Zhang Liping, Mr Paul Chan Mo Po and Mr Hua Sheng were elected as the independent directors of the sixteenth session of the Board at the Company’s 2010 Annual General Meeting.

During the reporting period, Mr Xu Hongge and Mr Liu Aiming resigned as executive vice presidents of the Company. The Board appointed Mr Du Jing, Mr Zhou Weijun, Mr Yuan Boyin and Mr Mao Daqing as executive vice presidents.

IV. Directors’ Report

1. Management Discussion and Analysis

Changes in market environment and the Company’s judgment

Market adjustment continued to deepen during the reporting period. At the beginning of the year, the area of residential properties sold in major cities rose due to a relatively large amount of new projects put on sale at the end of 2010. However, market transactions sharply declined with the launch of a new round of policies and implementation of austerity measures in various regions. The sales area of commodity housing in 14 major cities (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Suzhou, Wuxi, Hangzhou, Nanjing, Beijing, Tianjin, Shenyang, Chengdu, and Wuhan) grew by 15.3 per cent in the first quarter of 2011 but dropped by 11.1 per cent in the subsequent quarter when compared with those of the corresponding periods of 2010. The sales area of commodity housing in five core cities (Beijing, Shanghai, Guangzhou, Shenzhen, and Hangzhou) during the first half of 2011 decreased by 3.8 per cent and 54.1 per cent respectively when compared with those of the corresponding periods of 2010 and 2009. When juxtaposed with the growth in new housing supply, the decline in transactions was even more significant. In the second quarter of 2011, the approved pre-sales area in the 14 cities increased by 78.3 per cent from that of the first quarter of 2011, while sales area of commodity housing decreased by 16.3 per cent from those of the first quarter.

With sales slowdown and increased new housing supply, the inventory of new housing units in major cities has been on an upward trend since the beginning of the year. Moreover, affected by such policies as purchase restriction, credit control, sales restriction on residential properties, the nature of customer demand was also changing. While there were continued restraint on investment-driven residential property purchase and slowdown in sales of high end products, the proportion of sales of ordinary commodity housing to first time home buyers and buyers for improving living conditions for the first time continued to increase. Intensified market competition had made enterprises attach greater importance to their operational capabilities including product positioning, price competitiveness, and sales and marketing strategy.

History shows that the availability of statistics on investment in property development might lag behind to a certain extent. Although the growth rate of investment in property development across the country during the first half of the year remained at a high level of 32.9 per cent, indicating no significant change from that of the same period last year, the growth rate of investment in core cities had sharply declined when compared to that year-on-year. The property investment growth rate in Beijing slid from 24.1 per cent in the full year of 2010 to 3.7 per cent in the first half of 2011, and in Shanghai, the growth rate dropped from 35.5 per cent to 9.4 per cent. A similar situation occurred in the second quarter of 2008 (in the second quarter of 2008, the growth rate of investment in property development across the country was 34 per cent, while that in the five core cities was 7 per cent). The impact of market fluctuation on enterprises' investment capability and desire to invest may be reflected in statistics that will be available in subsequent periods, while the implications of investment and construction slowdown may be manifested in the housing supply in the following year.

Since the beginning of 2011, China's central bank had thrice raised the RMB benchmark deposit and lending rates, leading to a year-on-year decrease in the scale of all kinds of financing in the first half of the year and further credit crunch. According to statistics on the sources of property investment capital, the year-on-year growth rate in domestic loans during the first half of 2011 was 6.8 per cent, which was close to the historical low in the second half of 2008. The tightening of funding sources has posed challenges to an enterprise's capital strength and financial stability. Yet, the tightening of capital flow may also give rise to opportunities for project development. In this respect, enterprises with relatively sufficient capital resources could leverage this advantage.

During the reporting period, the land market cooled down as enterprises became increasingly prudent in investment. In the 16 major cities where statistics are accessible by the public (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Wuhan, Chengdu, and Chongqing), the area of land for residential use put on sale and sold in the first half of 2011 dropped by 18.5 per cent and 25.3 per cent respectively from those of corresponding period of last year, and decreased by 50.4 per cent and 39.0 per cent from those of the second half of 2010. Although failed auctions were not often seen, transactions completed at the reserve price became a commonplace. With further manifestation of the relevant policies' implications, adjustment in the land supply market will continue. Those cities experiencing severe corrections are expected to offer favourable opportunity for the Group's land acquisition. The Company will maintain its prudent investment approach and react to these opportunities with flexibility.

The Company's operation and management

On the front of product positioning, the Company continued to focus on mainstream products, including housing units that target end-users and small and mid-sized ordinary residential properties. The Company had also adhered to its quick turnover strategy and considered the speed of sales as a major control indicator of sales performance. The Company reported satisfactory sales performance, with products sold during the period composed mainly of furbished units, in response to the needs of end users. During the first half of 2011, the Company realized a sales area of 5,655,000 sq m, with a sales amount of RMB65.65 billion, representing increases of 76.7 per cent and 78.6 per cent respectively from those of the corresponding period of 2010. For the first half of 2011, the Company's sales amount accounted for 2.67 per cent of the sales amount of commodity housing in the PRC.

Owing to variation in project completion dates, this year the majority of the residential units already sold but not yet booked are going to be completed in the fourth quarter, only a limited amount of area was booked during the first half of the year. During the reporting period, the Company realized a revenue of RMB18.89 billion, with a net profit of RMB2.98 billion, representing increases of 19.4 per cent and 5.9 per cent respectively from those of the corresponding period of last year. The Company's booked area and booked revenue amounted to 1,383,000 sq m and RMB18.1 billion respectively, representing a decrease of 8.1 per cent and an increase of 16.6 per cent respectively from those of the corresponding period of last year. In view of the gradual completion and recognition of projects in the fourth quarter, the year-on-year growth rate of the booked area for the full year 2011 is expected to be significantly higher than that of the first half of the year.

Owing to the time lag between revenue recognition and sales, there was a further increase in area sold but not yet booked during the reporting period. As at the end of the reporting period, included in the consolidated statements was an area of 10.22 million sq m sold but not yet booked, with an aggregate contract amount of approximately RMB118.7 billion.

As the Company's product positioning was in line with the prevailing market demand characteristics, the Company continued to maintain a good inventory structure. As at the end of the reporting period, among the Company's different types of inventories, completed properties (properties ready for sale) accounted for only 2.8 per cent.

During the period under review, the booked gross margin of the Company's property business was 33.9 per cent, which was higher than 31.9 per cent achieved in the same period last year as a result of the composition of the booked area. The net margin was 15.8 per cent, which was slightly lower than 17.8 per cent for the same period last year. The decrease in net margin was mainly due to the substantial increase in sales and distribution expenses and administrative expenses, as a result of a significant year-on-year growth in sales in the first half of 2011. During the reporting period, the Company continued to strengthen its cost control. The administrative expenses in the first half of 2011 accounted for 1.38 per cent of the sales amount, representing a decrease of 0.19 percentage point year-on-year, while the sales and distribution expenses accounted for 1.46 per cent of the sales amount, representing a decrease of 0.19 percentage point year-on-year.

At the beginning of the year, the Company estimated that the floor area commencing construction of existing projects would amount to 13,290,000 sq m for the full year. As at the end of June 2011, the actual floor area commencing construction amounted to 7,590,000 sq m. As the Company's current inventory level remains healthy, it has not made any adjustment to its planned area commencing construction for the full year. However, in order to be able to respond to possible changes in the market environment, the Company will strengthen its research on changes in customers' demand under new market conditions, while adhering to its mainstream product positioning. The Company will flexibly adjust its product mix, improve decoration of its furbished units and raise price-performance.

During the reporting period, the Company added 22 newly developed projects. The site area of the newly added projects attributable to China Vanke's equity holding amounted to approximately 2.22 million sq m (the planned GFA attributable to China Vanke's equity holding amounted to approximately 4.23 million sq m). The average premium of the floor area was around RMB2,823/sq m. The Company also took part in four city rejuvenation projects. According to the current planning conditions, the site area of these projects attributable to China Vanke's equity holding amounted to approximately 510,000 sq m (the planned GFA attributable to China Vanke's equity holding amounted to approximately 1.61 million sq m). The estimated average redevelopment costs and premium of the floor area was around RMB1,729/sq m. As at the end of the reporting period, the planned GFA attributable to China Vanke's equity holding amounted to 35,850,000 sq m. In the first half of the year, the Company entered the markets of Wuhu, Qinhuangdao, Taiyuan and Jizhong. Up till now, the Company has established presence in 50 cities, further consolidating and strengthening its edge in geographical diversification. In the second half of the year, the Company will keep an eye on any possible adjustments in the land market and take a flexible approach in capturing opportunities for land acquisition while adhering to a prudent investment principle. In order to drive business development, the Company will actively explore innovative collaboration mechanisms. Through a balanced risk-benefit collaborative model, the Company will strive to effectively allocate social resources to maximise their utilisation.

Since the beginning of the year, the overall capital flow has been tightened. As the Company has always pursued stable operations, it was able to maintain a healthy financial position. The Company's prudent investment strategy and better-than-market sales performance had further increased its capital strength. As at the end of the reporting period, the Company's cash and cash equivalents amounted to RMB40.78 billion, which represented an 9.7 per cent increase from that at the end of the first quarter of 2011 and was significantly higher than the sum of RMB23.04 billion of short-term borrowings and long-term borrowings due within one year. Total liabilities after deducting advance receipts accounted for 36.9 per cent of total assets. Net gearing ratio continued to remain at a relatively low level of 20.8 per cent. The sound financial and cash position ensures the Company's safe and stable operations. In addition, it allows the Group to take advantage of the opportunities arising from a changing market environment. In order to enhance the efficiency of capital utilisation, the Company will, for a long period of time in the future, make it a priority to tie investment, financing in with project operation. It will actively expand funding sources, rationally seize the right moment for investment and continues to optimise capital management.

Expansion in the scale of construction has brought new challenges to the Company with respect to quality of construction works. Faced with these challenges, the Company has strengthened its standardised systems and quality consciousness, while making attempts to form strategic collaboration with formidable construction companies. All these were aimed to turn challenges brought by scale to economies of scale. During the reporting period, the Company entered into strategic collaboration agreement with China Construction Fourth Engineering Division Corporation. The agreement signifies the Company's significant step in developing large-scale strategic main contracting.

During the reporting period, the Company continued to realise its green strategy and promote energy saving and environmental protection in the residential market. Starting from June 2011, all the Company's new construction projects meeting planning conditions are designed and constructed in accordance with standards not lower than those set for One-Star green building. In addition, the Company has started to prepare for the construction of a green construction park in Beijing and has signed a memorandum of understanding with UK-based BRE (Building Research Establishment) for collaboration on this project. Upon completion, the project will become the world's largest eco-friendly architecture park and the most advanced platform for promoting green ideology in the PRC. Such a move will further enhance the edges of China Vanke's products in green architecture.

In the first half of the year, the Company approved and implemented "A-Share Stock Option Incentive Scheme". The introduction of the Stock Option Incentive Scheme will complement the Company's incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company's corporate governance structure.

Talents are society's assets. In different stages of life, managers may also pursue more enriching experiences and their diverse dreams. With the continued development in the industry, professional management staff are faced with more opportunities, and their turnover rate therefore increases. In the first half of 2011, two executive vice presidents left the Company to start their own business or pursue other endeavours. While this shows that professional managers from China Vanke are recognised by society, it also alerts the Company to pay more attention to competition for talents. In order to attract and retain high calibre people, the Company will further strengthen its corporate culture and competitive edge in institution establishment. Meanwhile, it will continue to explore ways to fine-tune its remuneration and incentive mechanism, so as to increase its talent attraction. The Company will also put more emphasis on recruitment and training of human resources, as well as team building among the management staff. All these are to ensure the free choice of managers and the Company's stable operation are appropriately balanced.

In the first half of the year, the Company was named as "The Most Respectable Enterprise in China" by Economic Observer and Management Case Center of Peking University for the 8th consecutive time. The Company also won the No. 1 title of the "Top 10 Among China's Leading 100 Property Developers in 2011, Overall" selected by Enterprise Research Institute of the Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy. In addition, the Company was named as one of the "Best Employers in China 2011" by global renowned human resources management and consulting company Aon Hewitt.

Subsequent events:
Beijing Vanke Company Limited, a wholly-owned subsidiary of the Company, and Minmetals Land Limited jointly established Langfang Wenheng Shengye Real Estate Development Co., Ltd. (廊坊万恒盛业房地产开发有限公司) and Langfang Kuangshi Jiye Real Estate Development Co., Ltd. (廊坊旷世基业房地产开发有限公司) for the development of the Xianghe Huanqing City Project acquired through the open market in 2010. As the local government had violated the laws in the transfer process of the land for the relevant project, it rectified its mistakes and decided to rescind the transfer of the land for the project after the reporting period, and made full compensation the companies to ensure that their legitimate interests were not prejudiced. This incident will not have significant impact on the Company.

2. Principal operations of the Company during the reporting period

(1) The scope and operations of the Company's core business
Due to variation in project completion dates, the completed area from January to June was 1,070,000 sq m, representing 14.7 per cent of the planned completed area of 7,290,000 sq m for the full year of 2011. Affected by this factor, the booked area of the Company for the first half of the year was 1,383,000 sq m, representing a decrease of 8.1 per cent when compared with that of the same period last year. The booked revenue amounted to RMB18.1 billion, representing an increase of 16.6 per cent from that of the same period last year, which was considerably lower than the growth rate of sales. With more projects to be completed and booked in the fourth

quarter of 2011, it is expected that the growth rate of the booked revenue for the full year will be significantly higher than that of the first half of 2011.

Since the projects booked in the first quarter of 2011 were mostly concentrated in cities such as Shanghai, Guangzhou and Shenzhen, with gross margin of 35.1 per cent, the gross margin of the Company's property business for the first half of 2011 was 33.9%, representing an increase of 2.0 percentage points when compared with that of the same period last year.

Unit: RMB '000

Sector	Revenue		Cost of sales		Gross margin	
	Amount	Change	Amount	Change	%	Change
Property sales	18,371,709.03	18.40%	10,714,956.40	9.20%	33.94	Up by 2.00 percentage point
Property management	515,256.50	71.93%	283,975.82	21.08%	44.89	Up by 23.15 percentage point
Total	**18,886,965.53**	**19.41%**	**10,998,932.22**	**9.48%**	**34.24**	Up by 2.49 percentage point

Note: Business tax and surcharges had been deducted from the gross margin.

（2）Comparison of major assets & liabilities and key operating indicators

Item	30-Jun-11	31-Dec-10	Change (+/-)	Reasons for change
Investment properties	190,561.41	129,176.20	47.52%	Increase in investment properties
Interest in associates	1,559,140.90	1,035,875.90	50.51%	Increase in investment for associates entities
Properties under development	111,704,090.57	78,982,068.16	41.43%	Increase in newly added projects
Completed properties for sale	4,752,181.45	5,290,716.12	-10.18%	Delivery of more properties
Loans and borrowings (Current)	23,039,093.71	16,783,690.79	37.27%	Change in debt structure
Trade and other payables	143,679,994.56	106,138,344.68	35.37%	Increase in investment for the development of projects with associates and jointly controlled entities

Item	Jan-Jun2011	Jan-Jun2010	Change(+/-)	Reasons for change
Revenue	18,886,965.53	15,816,254.22	19.41%	Increased in sales from property development
Distribution expenses	956,748.19	606,401.58	57.77%	Enlargement of sales scale
Administrative expenses	904,669.17	575,447.94	57.21%	Expansion of the Company
Finance costs	517,591.64	386,171.72	34.03%	Relatively increase in interest cost
Share of profits less losses of associates	30,061.45	17,667.87	70.15%	More profits recognised from associates
Share of profits less losses of jointly controlled entities	(22,288.04)	76,772.07	-129.03%	Less profits recognised from jointly controlled entities
Income tax expense	2,614,306.28	1,680,063.83	55.61%	Increased in booked revenue

（3）the Company's core business by investment region

Region	Booked area (sq m)	Percentage	Booked revenue ('000)	Percentage	Revenue from core businesses ('000)	Percentage	Net profit ('000)	Percentage
Shenzhen Region	441,585	32%	6,779,366	37%	7,026,267	38%	1,308,841	41%
Shanghai Region	325,849	24%	6,304,577	35%	6,331,342	34%	1,402,103	44%
Beijing Region	309,342	22%	2,876,117	16%	2,876,117	16%	343,474	11%
Chengdu Region	305,903	22%	2,137,983	12%	2,137,983	12%	133,945	4%
Total	**1,382,679**	**100%**	**18,098,043**	**100%**	**18,371,709**	**100%**	**3,188,363**	**100%**

Note: Cities in which projects had been booked: Shenzhen region including Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Xiamen, Fuzhou, Haikou and Changsha; Shanghai region including Shanghai, Hangzhou, Suzhou, Wuxi, Nanjing, Ningbo and Nanchang; Beijing region including Beijing, Shenyang, Dalian, and Changchun; Chengdu region including Chengdu, Wuhan and Chongqing.

3. Investment of the Company

(1) Use of proceeds from the capital market

Public issue of A Shares in 2007

Having obtained the approval from the relevant authorities, the Company issued a prospectus regarding the public issue of A shares on 22 August 2007. The Company issued 317,158,261 shares (par value: RMB1 per share) at an issue price of RMB31.53 per share, raising proceeds of RMB9,999,999,969.33. After deducting issuing expenses of RMB63,398,268.11, the net proceeds amounted to RMB9,936,601,701.22 and were received on 30 August 2007. Shenzhen Nanfang-Minhe CPA Firm Co., Ltd (深圳南方民和会计师事务所) had prepared and filed a capital verification report (Shen Nan Yan Zi (2007) No. 155).

Details on the investment amount, investment gain, development progress of the projects as at the end of the reporting period are as follows:

Unit: RMB'000

<table>
<tr><td rowspan="2">Total amount of proceeds</td><td colspan="2" rowspan="2">9,936,600</td><td colspan="3">Funds used for investment during the reporting period</td><td colspan="3">173,560</td></tr>
<tr><td colspan="3">Accumulated funds used</td><td colspan="3">9,780,548</td></tr>
<tr><td>Investment projects</td><td>Is there any change in project</td><td>Planned investment</td><td>Funds used for investment during the reporting period</td><td>Accumulated funds used</td><td>Investment progress</td><td>Income realised</td><td>Does it achieve estimated income</td><td>Significant change in feasibility</td></tr>
<tr><td>Jinse Yazhu (former Zhonglin Project), Shanghai</td><td>No</td><td>700,000</td><td>0</td><td>700,000</td><td>100%</td><td>272,497</td><td>Yes</td><td>No</td></tr>
<tr><td>Wujiefang Project, Pudong, Shanghai</td><td>No</td><td>1,200,000</td><td>125,440</td><td>1,185,790</td><td>98.82%</td><td>(4,979)</td><td>Yes</td><td>No</td></tr>
<tr><td>West Spring Butterfly Garden (former Jiangcun Project), Hangzhou</td><td>No</td><td>700,000</td><td>0</td><td>700,000</td><td>100%</td><td>357,493</td><td>Yes</td><td>No</td></tr>
<tr><td>Liangzhu Project, Yuhang District, Hangzhou</td><td>No</td><td>1,700,000</td><td>0</td><td>1,700,000</td><td>100%</td><td>469,645</td><td>Yes</td><td>No</td></tr>
<tr><td>Golden Town Project, Yinzhou District, Ningbo</td><td>No</td><td>1,636,600</td><td>0</td><td>1,636,600</td><td>100%</td><td>937,483</td><td>Yes</td><td>No</td></tr>
<tr><td>The Dream Town (former Nanzhuang Project), Foshan</td><td>No</td><td>900,000</td><td>0</td><td>900,000</td><td>100%</td><td>400,242</td><td>Yes</td><td>No</td></tr>
<tr><td>Everest Town (former Science City H3 Project), Guangzhou</td><td>No</td><td>600,000</td><td>0</td><td>600,000</td><td>100%</td><td>151,543</td><td>Yes</td><td>No</td></tr>
<tr><td>The Paradiso (former Jinshazhou Project), Guangzhou</td><td>No</td><td>800,000</td><td>0</td><td>800,000</td><td>100%</td><td>333,067</td><td>Yes</td><td>No</td></tr>
<tr><td>Zhuhai Hotel Project, Xiangzhou District, Zhuhai</td><td>No</td><td>650,000</td><td>9,460</td><td>649,500</td><td>99.92%</td><td>179,904</td><td>Yes</td><td>No</td></tr>
<tr><td>Anpin Street Project, Baixia District, Nanjing</td><td>No</td><td>650,000</td><td>38,660</td><td>508,658</td><td>78.26%</td><td>-</td><td>Yes</td><td>No</td></tr>
<tr><td>Stratford (former Huangjiayu Project), Nanjing</td><td>No</td><td>400,000</td><td>0</td><td>400,000</td><td>100%</td><td>46,498</td><td>No</td><td>No</td></tr>
<tr><td>Total</td><td>No</td><td>9,936,600</td><td>173,560</td><td>9,780,548</td><td>98.43%</td><td>3,143,393</td><td>Yes</td><td>No</td></tr>
<tr><td>Remarks on delay and failure to achieve estimated income (by project)</td><td colspan="8">1) The work progress of Nanjing Anpin Street Project was affected due to the government's plan to preserve the city's heritage. The Company has finished the progress of submitting planning and construction reports for approval. The overall development plan of the project has been adjusted accordingly. 2) All the units of Stratford Project in Nanjing were basically sold out and delivered in 2010. Accumulative net margin of the Stratford Project was 9.95%. Although the income generated from this project did not reach the estimated level stated in the prospectus, the income of other projects financed by the raised proceeds exceeded the estimated level. It is expected that the overall return from the projects financed by the raised proceeds will be higher that the estimated level stated in the prospectus.</td></tr>
<tr><td>Remarks on reasons and procedures for changes (by project)</td><td colspan="8">No changes</td></tr>
<tr><td>Application of the balance of the proceeds</td><td colspan="8">As of 30 June 2011, the Company had applied RMB9,780.55 million of the proceeds in accordance with the prospectus. The amount represented 98.4% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB156.05 million will be applied in accordance with the progress of project development.</td></tr>
</table>

(2) Use of capital not from the capital market

A. Major equity investment

1) During the reporting period, the Company promoted and established 14 new subsidiaries, each with registered capital of over RMB30 million. The details are as follows:

Unit: ’000

No.	Company	Currency	Registered capital (original currency)	Actual investment by China Vanke (RMB)	Scope of business
1	Nantong Vanke Investment Co., Ltd. (南通万科投资有限公司)	RMB	50,000.00	50,000.00	Property development
2	Wuhu Vanke Wanjia Real Estate Co., Ltd. (芜湖万科万嘉房地产有限公司)	RMB	30,000.00	30,000.00	Property development
3	Wuhu Vanke Wandong Real Estate Co., Ltd. (芜湖万科万东房地产有限公司)	RMB	30,000.00	30,000.00	Property development
4	Wenzhou Vanke Litian Property Co., Ltd. (温州万科力天置业有限公司)	RMB	50,000.00	50,000.00	Property development
5	Qinhuangdao Vanke Real Estate Development Co., Ltd. (秦皇岛万科房地产开发有限公司)	RMB	60,000.00	60,000.00	Property development
6	Dalian Vanke Paradiso Development Co., Ltd. (大连万科金域蓝湾开发有限公司)	USD	200,000.00	720,000.00	Property development
7	Shenyang Vanke Dongban Property Co., Ltd. (沈阳万科东阪置业有限公司)	RMB	1,700,000.00	1,105,000.00	Property development
8	Tianjin Vanke Jiangjian Property Investment Co., Ltd.(天津万科疆建置业投资有限公司)	RMB	100,000.00	51,000.00	Property development
9	Chongqing Wanxu Property Co., Ltd. (重庆万旭置业有限公司)	RMB	225,000.00	225,000.00	Property development
10	Jiangxi Vanke Yida Property Investment Co., Ltd. (江西万科益达置业投资有限公司)	RMB	100,000.00	50,000.00	Property development
11	Changchun Vanke New City Real Estate Development Co., Ltd. (长春万科新城房地产开发有限公司)	RMB	100,000.00	51,000.00	Property development
12	Rizhao Vanke Real Estate Development Co., Ltd. (日照万科房地产开发有限公司)	RMB	100,000.00	100,000.00	Property development
13	Zhejiang ZhenanVanke Real Estate Co., Ltd. (浙江浙南万科房地产有限公司)	RMB	100,000.00	100,000.00	Property development
14	Chengdu Vanke Kaibin Land Planning and Design Co., Ltd. (成都万科凯宾土地整理有限公司)	USD	130,000.00	176,000.00	Land planning and design
Total				**2,798,000.00**	

In addition, the Company had established another 21 new subsidiaries, with a total amount of investment of RMB194.25 million.

2). The companies that the Company acquired during the reporting period are as follows:

A. On 1 April 2011, the Company acquired 100% equity interests of Guangzhou Panyu Xiangxin Real Estate Co., Ltd. for a total cash consideration of RMB3.1 billion.

B. On 9 May 2011, the Group acquired 100% equity interests of Hong Kong Future Vision Investment Ltd. (香港鸿弘投资有限公司) for a total cash consideration of USD22.66 million.

C. On 9 March 2011, the Company acquired 100% equity interests of Wuhan Yongli Property Co., Ltd. for a total cash consideration of RMB36 million.

During the reporting period, the Company acquired another 7 companies for a total consideration of RMB24.69 million.

3） In order to support the business development of its majority-owned subsidiaries, the Company increased the capital of 12 companies by approximately RMB1,632 million during the reporting period. Of the total amount, RMB1,040 million was for Guangzhou Wanyi Real Estate Co., Ltd., RMB225 million for Beijing

Zhuzong Vanke Real Estate Development Co., Ltd., and RMB180 million for Hefei Vanke Property Co., Ltd.

⑵ **Other investments**

During the reporting period, the Company acquired 22 new projects, with a site area attributable to China Vanke's equity holding of approximately 2,220,000 sq m (planned GFA of approximately 4,230,000 sq m). Details of the projects are as follows:

City	**Project**	**Location**	**Percentage of shareholding**	**Site Area (sq m)**	**Planned GFA (sq m)**	**GFA attributable to China Vanke's equity holding (sq m)**	**Progress**
Shenzhen	Langqi Project	Longgang	100%	41,487	22,380	22,380	Pre-construction
Dongguan	Spring Dew Mansion	Tangxia Town	51%	128,144	256,129	130,626	Pre-construction
Dongguan	Land Lot Nos. 1-3 of Songhu Center	Songshan Lake Zone	34%	95,506	73,872	25,116	Pre-construction
Dongguan	Land Lot No. 4 of Songhu Center	Songshan Lake Zone	25%	30,084	30,084	7,521	Pre-construction
Guangzhou	Sunshine City	Panyu	100%	340,002	570,743	570,743	Pre-construction
Shanghai	Jiading Juyuan Project	Jiading	100%	90,013	180,026	180,026	Pre-construction
Shanghai	Songjiang Ledu Road Project	Songjiang	100%	67,932	108,691	108,691	Pre-construction
Hangzhou	Fuyang Golf Land Lot A	Fuyang	20%	69,941	104,912	20,982	Pre-construction
Hangzhou	Fuyang Golf Land Lot B	Fuyang	20%	69,989	83,987	16,797	Pre-construction
Hangzhou	Fuyang Golf Land Lot C	Fuyang	20%	68,244	68,244	13,649	Pre-construction
Hangzhou	Fuyang Golf Land Lot D	Fuyang	20%	59,933	59,933	11,987	Pre-construction
Suzhou	Golden Milestone Project	Jinchang	49%	99,093	247,732	121,389	Pre-construction
Suzhou	Mudu Quemeibin Project	Wuzhong	55%	144,535	361,338	198,736	Pre-construction
Wuhu	The Dream Town,	Jiujiang	100%	274,404	493,926	493,926	Under construction
Tianjin	East Coast	Binhai New District	51%	255,000	382,500	195,075	Pre-construction
Qinhuangdao	Holiday Town	Qinhuangdao	48%	270,549	642,357	308,331	Under construction
Shenyang	Tomorrow Square	Hunnan New District	65%	199,319	597,957	388,672	Pre-construction
Changchun	Jingyue Dream Town	Jingyue Development Zone	51%	350,965	1,048,330	534,648	Pre-construction
Qingdao	Qingdao Town	Jiaonan City	34%	938,849	719,522	244,637	Pre-construction
Taiyuan	Jinyu International	Wanbolin	100%	49,407	173,075	173,075	Pre-construction
Jinzhong	University City Project	Yingze	51%	218,143	486,180	247,952	Pre-construction
Xi'an	Land Lot No. 3 of Dream Town	Chang'an	60%	113,231	352,803	211,682	Pre-construction
Total				**3,974,770**	**7,064,721**	**4,226,641**	**—**

In addition, the Company was involved in four urban redevelopment projects during the reporting period. According to the current planning conditions, the site area attributable to China Vanke's equity holding amounted to approximately 510,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 1,610,000 sq m).

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Shenzhen	Shajing Project	Baoan	55%	77,265	254,930	140,212	Under construction
Taiyuan	Zitai (紫台)	Yingze	51%	95,687	334,876	170,787	Pre-construction
Wuhan	Changzheng Village Project	Hongshan	100%	282,235	871,721	871,721	Pre-construction
Wuhan	Vanke Golden City Package B	Hongshan	100%	138,500	426,072	426,072	Pre-construction
Total				**593,687**	**1,887,599**	**1,608,792**	–

From the end of the reporting period to the date of announcement of this report, the Company acquired five new projects, with site area attributable to China Vanke's equity holding of 310,000 sq m (the planned GFA attributable to China Vanke's equity holding was 617,000 sq m) . Details are as follows:

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Nanjing	Pukou Yanshan Avenue Project	Pukou	100%	62,300	100,000	100,000	Pre-construction
Changsha	Gaozheng Project	Yuhua	60%	40,360	177,043	106,826	Pre-construction
Putian	Phase I, Pilot District of Yuhu New City]	Licheng	100%	148,010	302,290	302,290	Pre-construction
Dalian	Xishan Villa Project	Ganzijin	55%	90,400	113,300	62,315	Pre-construction
Tianjin	Shilinyuan Project	Jinnan	40%	63,600	114,500	45,800	Pre-construction
Total				**404,670**	**807,133**	**617,231**	**—**

In addition, the Company was recently involved in one more urban redevelopment project. According to the current planning conditions, the site area attributable to China Vanke's equity holding amounted to 15,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 92,000 sq m). Details are as follows:

City	Project	Location	Percentage of shareholding	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Chengdu	Vanke Diamond Plaza (万科钻石广场)	Chenghua	100%	15,404	92,422	92,422	Pre-construction

4. Comparison between the actual operating results during the reporting period and the planned targets at the beginning of the period

The Company's actual operating results during the reporting period did not deviate much from the planned targets at the beginning of the period.

V. Significant events

1. Corporate governance

As one of the first batch of companies listed in the PRC, the Company has always abided by its corporate values: to pursue simplicity, to be transparent, to be regulated and to be responsible. It continues to explore ways to raise its corporate governance standard. With a foundation built on sound corporate governance, China Vanke has established long-standing trust and win-win relationships with its investors.

The Company continued to persist in maintaining complete independence from its single largest shareholder, CRC, and its connected companies in respect of business operation, staff, assets, organisation and finance, to ensure independence in its business integrity and operation autonomy. The Company had not taken any actions that violated the code on corporate governance practices such as reporting to CRC on any undisclosed information.

The Company had strengthened the management of inside information. During the period under review, no insider who had access to inside information had violated the laws to engage in insider trading. There had been no discrepancy between the Company's governance and the relevant requirements of China Securities Regulatory Commission.

As a key pilot company to implement the Notes on Basic Criteria of Enterprise Internal Control and its implementation guidelines, the Company had proactively enhanced its internal control. During the reporting period, the Company formulated a proposal on the implementation of the Basic Criteria of Enterprise Internal Control, which was announced upon approval by the Board. The Company set up a committee for the development of internal control in order to incorporate the implementation of the Basic Criteria of Enterprise Internal Control into the Company's internal control system. The Company adopted a management approach of "effective internal control" and attached great importance to taking effective actions to eliminate or minimise actual risks, in order to improve overall internal control. The Company appointed KPMG Huazhen Certified Public Accountants to perform audit of internal control. During the reporting period, the Company organised meetings on the implementation of the Basic Criteria of Enterprise Internal Control and organised several staff training programmes on internal control to increase awareness and understanding of internal control within the Company. China Vanke also requested all the departments at the headquarters and frontline companies to complete the mapping of their existing internal control standards against the Basic Criteria of Enterprise Internal Control. The Company compared the existing system with each of the requirements specified in the relevant documents of the Basic Criteria of Enterprise Internal Control, especially the 18 implementation guidelines, and compiled records of the mapping results. Those aspects of the existing system that deviated from the Basic Criteria had been rectified. In future, the Company will push ahead with the implementation of the Basic Criteria of Enterprise Internal Control according to the implementation proposal, in order to enhance internal control and assessment ability and further improve its corporate governance.

2. Implementation of the Company's proposal on dividend distribution for the previous year and profit appropriation for the interim period of 2011

Proposal on dividend distribution for the year 2010 was approved at the 2010 Annual General Meeting held on 31 March 2011. The proposal on the dividend distribution was: based on the total share capital as at the close of the market on the record date of the Company, a cash dividend of RMB1.0 (including tax; after deducting tax, a cash dividend of RMB0.9 would be paid for every 10 existing shares beneficially held by individual shareholders, investment funds and non-resident enterprises holding A shares; for individual shareholders and non-resident enterprise shareholders holding B shares, a cash dividend of RMB0.9 would be paid for every 10 existing shares held) would be paid to all the shareholders on the basis of every 10 existing shares held.

The aforesaid proposal was implemented during the reporting period: the record date for A shares was 26 May 2011, and ex-dividend date was 27 May 2011, while the last trading day of B shares was 26 May 2011, ex-dividend date was 27 May 2011, and the record date was 31 May 2011. For details on the implementation of the proposal, please refer to the announcement published in China Securities Journal, Securities Times, Shanghai Securities News, www.cninfo.com.cn and irasia.com on 20 May 2011.

The Company will not carry out profit appropriation nor the transfer of capital surplus reserve to share capital for the interim period of 2011.

3. Implementation of the A-Share Stock Option Incentive Scheme

(1) Relevant procedures for the implementation of the A-Share Stock Option Incentive Scheme and overview of the scheme

The twelfth meeting of the fifteenth session of the Board of China Vanke held on 21 October 2010 approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Draft). The scheme had been filed with China Securities Regulatory Commission. After revisions by the Company, the A-Share Stock Option Incentive Scheme (Revised Draft) (the "Scheme") was submitted to the Board and was approved through voting by correspondence on 18 March 2011. China Securities Regulatory Commission has no objection to the Scheme. On 8 April 2011, the first extraordinary general meeting of the Company in 2011 was held and approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Revised Draft). Implementation of the Scheme thus commenced.

The A-Share Stock Option Incentive Scheme uses stock option as an incentive instrument. Each stock option confers the right to purchase one A-share of China Vanke at the exercise price within the designated exercise period. When the Company and the beneficiaries of the Scheme fulfil the conditions for granting the options, the Company will grant stock options to the beneficiaries according to the Scheme. No stock options should be exercised during the vesting period, which is one year from the grant date. Thereafter, the granted stock options can be exercisable in three exercise periods. 40% of the options granted shall be exercisable during the first exercise period, another 30% and the remaining 30% shall be exercisable in the second and third exercise periods respectively. The right to exercise the stock options in each corresponding exercise period is subject to the fulfilment of the vesting conditions by the Company and the beneficiaries of the Scheme. The stock options will lapse if they fail to vest because the performance targets are not achieved and if they are not exercised even after the expiry of the exercise periods.

The schedule for exercising the stock options is as follows:

Stage	Schedule	Percentage of options exercisable
First exercise period	A period commencing from the first trading day after a 12-month period commencing from the grant date up to the last trading day of the 36 months from the grant date of the Scheme	40%
Second exercise period	A period commencing from the first trading day after a 24-month period commencing from the grant date up to the last trading day of the 48 months from the grant date of the Scheme	30%
Third exercise period	A period commencing from the first trading day after a 36-month period commencing from the grant date up to the last trading day of the 60 months from the grant date of the Scheme	30%

(2) Options granted under the A-Share Stock Option Incentive Scheme

The second meeting of the sixteenth session of the Board of China Vanke held on 18 April 2011 approved the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme. The meeting confirmed that the conditions for granting stock options under the A-share Stock Option Incentive Scheme had been fulfilled and determined 25 April 2011 as the date of grant of stock options. The seventh Supervisory Committee of China Vanke had verified and given its opinion on the list of beneficiaries of the Scheme.

On 9 May 2011, the registration of the grant of stock options under the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. was completed. The Company granted an aggregate of 108,435,000 stock options to 810 beneficiaries. The maximum number of shares that may be issued upon the exercise in full of all the granted stock options in future represent 0.9862 per cent of the Company's current total issued share capital.

The abbreviation of the stock options granted under the Scheme is VankeJLC1, and the stock option code is 037015.

(3) Adjustment of exercise price of stock options and the implementation procedures for the A-Share Stock Options Incentive Scheme during the reporting period

The initial exercise price of the stock options under the A-Share Stock Options Incentive Scheme was RMB8.89, which was subject to adjustment according to the relevant requirements of the Scheme should distribution of dividends, transfer of capital surplus reserve to share capital or other conditions occur within the validity period.

On 27 May 2011 the Company implemented the proposal on dividend distribution for the year 2010. A cash dividend of RMB1.0 (including tax) would be paid to all the shareholders on the basis of every 10 existing shares held. Pursuant to the resolution regarding granting the Board the authority to handle matters relating to the Company’s Stock Option Incentive Scheme approved by the first extraordinary general meeting in 2011, the Board resolved to make corresponding adjustment to the exercise price of the A-share stock options. The exercise price after adjustment is RMB8.79.

(4) Impact of implementation of the A-Share Stock Option Incentive Scheme on the financial position and operating results in the period under review and subsequent years

The introduction of the Stock Option Incentive Scheme will complement the Company’s incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company’s corporate governance structure and strengthen the Company’s competitiveness.

Accounting treatments for the A-Share Stock Option Incentive Scheme as equity-settled share-based payment are carried out in accordance with the “Accounting Standard for Business Enterprises No. 11 – Share-based payment”. On each balance sheet date within the vesting period, the Company shall included, based on the best estimate of the number of vested stock options, the services obtained from the beneficiaries during the period in the costs and expenses as well as in the capital surplus reserves at the fair value of the stock options on the grant date. During the exercise period of the stock options, the Company shall make no adjustment to the relevant costs, expenses or the capital surplus reserves which have been recognised. On each balance sheet date, based on the actual number of options exercised, the capital surplus reserves recognised shall be settled.

A-Share Stock Option Incentive Scheme adopts Black-Scholes option pricing model to estimate the fair value of the stock options on the grant date. According to the assessment results, the fair value of the stock options in the first exercise period is RMB79.18 million, the fair value of the stock options in the second exercise period is RMB88.94 million, while the fair value of the stock options in the third exercise period is RMB110.97 million.

During the reporting period, according to the straight-line method, the cost of stock options of RMB26.08 million amortised by the Company for the first, second and third exercise periods shall be included in the costs and expenses, while the Company’s capital surplus reserves increased by RMB26.08 million. Please refer to the notes to the financial statements for details on the accounting treatments.

For details, please refer to the announcements published on China Securities Journal, Securities Times, Shanghai Securities News and www.cninfo.com.cn on 25 October 2010, 23 March 2011, 9 April 2011, 20 April 2011, 10 May 2011 and 21 May 2011.

4. Material Litigation and Arbitration

During the reporting period, the Company did not involve in any material litigation or arbitration.

5. Major Acquisition and Disposal of Assets

During the reporting period, the Company did not have any major acquisition or disposal of assets.

6. Other investments

6.1 Investment of securities

□Applicable √Not applicable

6.2 Equity interests held in other listed companies

Unit: RMB

Stock code	Stock abbreviation	Initial investment amount	Percentage of shareholdings	Booked value as at the end of the reporting period	Gains/(losses) during the reporting period	Changes in equity attributable to equity holders during the reporting period
600751	SST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00	-	-
Total		**143,600.00**	**0.04%**	**143,600.00**	**-**	**-**

Note: Equity interests held in SST Tianjin Marine Shipping Co., Ltd are legal person shares held by the Company over the years. Up till now, it has not undergone share reform.

6.3 Shareholding in non-listed financial corporations and companies planning for listing

Nil.

7. Major connected transactions

During the reporting period, the Company's first extraordinary general meeting authorised the Board to determine, within the scope set out below, cooperation with China Resources (Holdings) Co., Ltd and its connected companies (collectively "CRH"), including entering into a loan agreement with Zhuhai City Commercial Bank Co., Ltd., using the funds under China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited, and joint investment with China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited. The total sum of the loan amount, funds to be utilised and the joint investment amount shall not be more than RMB4.42 billion (i.e. not more than 10% of the Company's audited net assets value as at the end of 2010). The authorisation is valid for a period of one year commencing from the date of passing of the relevant resolution in the first extraordinary general meeting.

The cooperation will fully leverage CRH's financial strengths and platform, which will be beneficial to the Company to broaden its financing channels, strengthen its ability to avert risk, accelerate its development, enhance return on assets, and create synergies to achieve a win-win situation. During the reporting period, the details of cooperation were yet to work out.

8. Major contracts and their implementation

(1) During the reporting period, the Company was not subject to any material entrustment, sub-contracting or leasing arrangements involving assets of other companies, nor were any other companies entitled to any entrustment, sub-contracting or leasing arrangements involving assets of the Company.

(2) During the reporting period, the Company did not have any entrustment investment arrangements.

(3) Details on the new guarantees made by the Company during the reporting period are as follows:

No.	Guarantor (% of equity interest held by China Vanke)	Name of companies being guaranteed (% of equity interest held by China Vanke)	Guaranteed amount	Remarks	Term of guarantee
1	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB25.5 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB50 million	12 January 2011 to 12 January 2013

2	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB51 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB100 million	12 January 2011 to 12 January 2013
3	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. 东莞市新万房地产开发有限公司(51%)	RMB102 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB200 million	22 March 2011 to 22 March 2013
4	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Haixuan Investment Development Company Limited (100%)	RMB130 million	Provided a guarantee for a bank loan of RMB130 million	31 March 2011 to 6 December 2011
5	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	24 March 2011 to 24 September 2013
6	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	2 April 2011 to 2 October 2013
7	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Wuxi Dingan Real Estate Co., Ltd. 无锡鼎安房地产有限公司(100%)	RMB1 billion	Provided a guarantee for a loan of RMB1 billion	11 April 2011 to 11 April 2013
8	Shenzhen Vanke Real Estate Co., Ltd. (100%), Shanghai Vanke Real Estate Co., Ltd. (100%)	Wuhan Vanke Real Estate Co., Ltd. (100%)	RMB1.5 billion	Provided a guarantee for a loan of RMB1.5 billion	29 April 2011 to 29 April 2013
9	Dongguan Vanke Real Estate Company Limited (100%)	Dongguan Changan Vanke Real Estate Co., Ltd. (100%)	RMB300 million	Provided a guarantee for a loan of RMB300 million	11 May 2011 to 10 May 2013
10	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Ningbo Vanke Real Estate Development Co. Ltd. (100%)	RMB600 million	Provided a guarantee for a loan of RMB600 million	12 May 2011 to 12 November 2012
11	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB 75 million	Provided a guarantee in proportion to the Company's equity holding (50%) for a bank loan of RMB150 million	3 June 2011 to 3 June 2014
12	Beijing Vanke Company Limited (100%)	Beijing Zhuzong Vanke Real Estate Development Co., Ltd. (50%)	RMB500 million	Provided a guarantee in proportion to the Company's equity holding (50%) for a bank loan of RMB1 billion	20 May 2011 to 19 May 2013
13	Nanjing Vanke Property Co., Ltd. 南京万科置业有限公司(100%)	Nanjing Wanhui Property Co., Ltd. (100%)	RMB50 million	Provided a guarantee for a loan of RMB50 million	26 May 2011 to 25 July 2011
14	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Hangzhou Liangzhu New Town Development Co., Ltd. (100%)	RMB1.2 billion	Provided a guarantee for a loan of RMB1.2 billion	14 June 2011 to 14 June 2013

During the reporting period, the amount of new guarantees provided by the Company and its majority-owned subsidiaries was RMB6,934 million, and the amount of guarantees withdrawn was RMB0. As at the end of the reporting period, the outstanding amount of guarantees provided by the Company was RMB10,147 million, accounting for 22.94 per cent of the audited net assets attributable to shareholders of the Company at the end of 2010. The outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB9,031 million; the outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB1,116 million. The Company and its majority-owned subsidiaries did not have any external guarantees.

During the reporting period, the Company did not provide guarantee for shareholders, beneficial controller and its connected parties, nor did it have any overdue guarantees or guarantees involving litigation.

9. Specific elaboration and independent opinions of the independent directors on the use of capital and external guarantees by connected parties

There had been no non-operational use of capital by the controlling shareholder or other connected parties of the Company.

During the reporting period, the Company, in strict compliance with the related rules, regulated its external guarantee activities in order to control risks. There was no violation against the “Notice regarding the regulation of external guarantees by listed companies”. The Company’s guarantees had been made to meet its production and operational needs and the requirements for reasonable use of capital. The procedures for determining the provision of guarantees are legal and reasonable, without prejudice to the interests of the Company and its shareholders.

10. Undertakings

China Resources National Corporation (“CRNC”), the parent company of CRC, being the Company’s original single largest shareholder and the present single largest shareholder, gave a significant undertaking to the Company in 2001: CRNC would provide as much support to the Company as it did in the past, as long as such support was beneficial to the Company’s development, and that it would remain impartial in the event of any competition between the investment projects of the Company and that of CRNC and its subsidiaries, and in the event of any disagreements or disputes arising from horizontal competition. CRNC had fulfilled its undertaking.

11. Details on the Company’s investor meetings

Type of meeting	Date	Location	Approach	Types of investors	Issues discussed and information provided
Deutsche Bank meeting	2011.1	Beijing	Face to face meeting	Investors including securities companies, funds, etc	(I) Major issues discussed: (1) The Company’s daily operations; (2)The Company’s development strategies; (3)The Company’s opinion on the changes in the industry. (II) Major information provided: Published information including the Company’s regular reports.
UBS Meeting	2011.1	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Annual results presentation	2011.3	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to face meeting	Investors including securities companies, funds, individual investors, etc	
CLSA meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
BNP meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Qilu Securities meeting	2011.3	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.4	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Macquarie meeting	2011.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
CLSA meeting	2011.5	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2011.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Guohua meeting	2011.5	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Mirae Asset Securities meeting	2011.5	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
JP Morgan meeting	2011.6	Beijing	Face to face meeting	Investors including securities companies, funds, etc	

CLSA meeting	2011.6	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Huatai United Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Nomura Securities meeting	2011.6	Singapore	Face to face meeting	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2011.6	Sanya	Face to face meeting	Investors including securities companies, funds, etc	
Ping An Securities meeting	2011.6	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2011.6	Chongqing	Face to face meeting	Investors including securities companies, funds, etc	
UBS meeting	2011.6	Qingdao	Face to face meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.					
Securities companies	During the reporting period	Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Xiamen, Fuzhou, Sanya, Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi’an, Kunming, Guiyang etc.	Small group or one-on-one	Shenjin Wanguo, CLSA, Orient Securities, Guosen Securities, Nomura Securities, CITIC Securities, Deutsche Bank, Citi, UBS, Goldman Sachs, Credit Suisse Securities, Guangfa Securities, Huatai United Securities, JP Morgan, Changjiang Securities, Haitong Securities, Yuanta Securities, Essence Securities, Merrill Lynch, Goldman Sachs Gaohua, Great Wall Securities, Mitsubishi UFJ Morgan Stanley Securities, Rising Securities, BOC International, Everbright Securities, China Jianyin Investment Securities, Sinolink Securities, Qilu Securities, Samsung Securities, Dongxing Securities, Morgan Stanley, CICC, HSBC, Daiwa Securities, Macquarie, RBS, Guotai Junan, MasterLink Securities, KGI Securities, Minsheng Securities, CCB International Securities, BNP, Jefferies, Barclays Capital, Religare Capital Markets, ISI Group, DBS Vickers, Korea Investment & Securities, Keefe, Bruyette & Woods etc.	

Funds and other investment companies and individual investors	During the reporting period	Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Xiamen, Fuzhou, Sanya,Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang etc.	Small group or one-on-one	Yinhua Fund, China Universal Asset Management, China AMC, Orient Fund, Pacific Assets Management, CCB Principal Asset Management, Guotai AMC, China Post Fund, Bank of Communications Schroders Fund, Changsheng Fund, Rongtong Fund, Fullgoal Fund, Wellington Asset Management, CDH Investments, China International Fund Management, Baoying Fund, Orient Securities Asset Management, Power Corporation of Canada, Southern Fund, Taikang Life, Fortis Haitong Fund, ICBC Credit Suisse Asset Management, Dacheng Fund, Hua An Fund, Guangfa Fund, Bosera Fund, Harvest Fund, Supreme Master Investment Limited, First State Investments, Franklin Templeton Investments, Taiping Assets Management, Bank of China Investment Management, ABN AMRO Teda Fund, China Life, Fortune SGAM Fund, Upstone Assets, Goldman Sachs (Asia), 亚洲投资协会, Invesco Great Wall Fund, Baring Asset Management, First Beijing Company, LionRock Capital, Capital Research, Brevan Howard, Prudential, Adage Capital, Millennium Management LLC, SAC, Apollo, GIC, DNB Asset, Pangu Capital Ltd, Sekker and Advisors, Trivest Advisors, Value Investors Management, Clairvoyance Capital, Alliance Berstein, GMO, Janus, Bernstein, Invesco, GENESIS, Prime Capital Management, Prime Capital Management, Pacific Eagle Asset Mgmt, Chilton Investment, Blue Pool Capital, Mitsubishi UFJ, Value Partners, TIAA-CREF, Och-Ziff, Union Investment, Sumitomo Trust & Banking (Tokyo), Henderson Investment, AMP Capital, JF AM, Point State, Highbridge Capital, Broad Peak, Tiger Asia, Daiwa SB Investments, Capital World, Fidelity Investment, Heitman, Citic Securities, Taurus, Ginger Capital, Urdang, Zeal Asset Mgmt, UBS Asset Management, PGGM, GE Capital, GE Asset Management, Blackrock, Pelargos Capital B.V, Eton Park, Capital Research Global, Hyundai Asset Management, Samsung Investment Trust Management, Samsung Life Insurance, Taurus Investment Management, Woori Asset Management, GS Asset Co. , KTB Asset Management, PCA Investment Korea, Shinyoung Asset Management, Tube Asset Investment Advisory, Cosmo Investment Management, Sky Investment Advisors, Consus Asset Management, ING Investment Management Korea, LIG Insurance Co., Mirae Asset Life Insurance, Causeway Capital, RREEF, Everest Capital Limited, Lombard Odier Darier Hentsch & Cie, Yuanta Securities Investment Trust Co Ltd, Absolute Partners Management Limited, Harvest Global Investments Limited, Amundi Hong Kong Limited, TB Alternative Assets Ltd, Hang Seng Investment Management Limited, Pinpoint Asset Management Company Ltd, Susquehanna Ireland Limited, Pharo Management (UK) LLP, China Life Trustees Limited, Shin Kong Investment Trust Co Ltd, Nomura Asset Management Hong Kong Ltd, Pictet Asset Management Limited, NeubergerBerman, CBRE Richard Ellis, Templeton Emerging Markets, Aizawa, Banco BBM, Moon Capital, Aeris International, J Capital Research, Lansdowne Partners Limited, UOB, LaSalle, Basic AM, Capital Dynamics, Blue Ridge Asset Management, Caxton Investment Co, Pyramis Asset Management, Armature Capital, Barclays Capital, Thornburg Investment Management, TT International, Perennial Investment Partners Limited, Dai-ichi Life Group (Janpan) , Omnix Capital Limited, Templeton Investment Counsel, Morgan Stanley Investment Management, Paradice Investment Australia, Mastholm AM etc.	

12. Corporate bonds and related matters

During the reporting period, the Company maintained a good credit standing. The Company's issued bonds, including "08 Vanke G1" (Bond code: 112005) and "08 Vanke G2" (Bond code: 112006), was tracked and rated by China Chengxin Securities Rating Co., Ltd. (中诚信证券评估有限公司) ("China Chengxin") during the period under review. The rating company continued to assign an AAA credit rating to the Company's secured corporate bonds "08 Vanke G1", and raised the rating for non-secured corporate bonds "08 Vanke G2" and the Company's overall corporate credit rating to AAA respectively. China Chengxin gave a stable outlook rating to the Company.

13. Investment in derivatives

Remarks on risk analysis and management of derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	In order to limit the risk associated with the fluctuations of interest rate, the Company entered into an interest rate swap ("IRS") agreement to hedge floating rate foreign currency loan. The Company would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while paying a fixed rate to the counterparty. In terms of the term and amount of the foreign currency loan, IRS limits the risk of fluctuations of interest rate through fixed forward rate.
Change in market price or fair value of the derivatives invested during the reporting period, as well as the method, related assumptions and parameters used to analyse the fair value of derivatives should be disclosed	The effect of the change in the IRS value on the Company's profit or loss during the reporting period amounted to RMB3,627,849.49. The value of the IRS was determined based on the fair value assessed on 30 June 2011
Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the reporting period as compared with those of the previous reporting period	Nil
Special advice on derivative investment and risk control by independent directors, sponsors or financial advisors	The Company's independent directors are of the view that financial instruments such as IRS prevent the possible loss associated with foreign currency loan in the event of significant fluctuations in interest rate. The relevant arrangement of the Company had been prudent and reasonable.

Derivative positions as at the end of the reporting period

Unit: RMB'000

Type of contracts	Contract amount as at the beginning of the period	Contract amount as at the end of the period	Profit/loss during the reporting period	Contract amount as at the end of the period as a percentage of the Company's net assets as at the end of the reporting period
Interest rate swap (IRS) agreement	1,249,109.39	889,845.00	3,627.85	1.54%
Total	**1,249,109.39**	**889,845.00**	**3,627.85**	**1.54%**

XI. Financial Report (Unaudited)

China Vanke Co., Ltd.

萬科企業股份有限公司

30 June 2011

Consolidated income statement
for the six months ended 30 June 2011

(Expressed in Renminbi Yuan)

	Note	**2011 Jan.–Jun.**	**2010 Jan.–Jun.**
Revenue	7	18,886,965,527	15,816,254,224
Cost of sales		(10,998,932,223)	(10,046,889,448)
Gross profit		7,888,033,304	5,769,364,776
Other income	8	47,661,182	206,654,647
Distribution expenses		(956,748,185)	(606,401,577)
Administrative expenses		(904,669,169)	(575,447,943)
Other expenses	9	(73,244,462)	(35,154,287)
Results from operating activities		6,001,032,670	4,759,015,616
Finance income		375,609,383	373,600,878
Finance costs		(517,591,644)	(386,171,719)
Net finance costs	11	(141,982,261)	(12,570,841)
Share of profits less losses of associates	20	30,061,451	17,667,867
Share of profits less losses of jointly controlled entities	21	(22,288,042)	76,772,073
Profit before income tax		5,866,823,818	4,840,884,715
Income tax expense	12(a)	(2,614,306,284)	(1,680,063,826)
Profit for the period		3,252,517,534	3,160,820,889
Attributable to:			
Equity shareholders of the Company		2,977,854,653	2,812,498,573
Minority interests		274,662,881	348,322,316
Profit for the period		3,252,517,534	3,160,820,889
Basic and diluted earnings per share	14	0.27	0.26

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income for the six months ended 30 June 2011

(Expressed in Renminbi Yuan)

	Note	*2011 Jan. – Jun.*	*2010 Jan. – Jun.*
Profit for the period		3,252,517,534	3,160,820,889
Other comprehensive income for the period	13		
Foreign currency translation differences			
- foreign operations	13(a)	88,446,161	47,738,002
Net change in fair value of available-for-sale financial assets	13(b)	-	(93,939,754)
Total comprehensive income for the period		3,340,963,695	3,114,619,137
Attributable to:			
Equity shareholders of the Company		3,066,300,814	2,766,296,821
Minority interests		274,662,881	348,322,316
Total comprehensive income for the period		3,340,963,695	3,114,619,137

The accompanying notes form part of these financial statements.

Consolidated balance sheet

(Expressed in Renminbi Yuan)

	Note	30 Jun. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,600,039,277	1,625,695,230
Investment properties	17	190,561,410	129,176,195
Construction in progress	18	898,256,796	764,282,141
Interest in associates	20	1,559,140,902	1,035,875,902
Interest in jointly controlled entities	21	3,461,225,978	3,374,074,020
Other financial assets	22	489,159,806	488,565,309
Deferred tax assets	23(a)	1,935,106,184	1,643,158,028
Other non-current asset		1,055,992,715	1,055,992,715
Total non-current assets		11,189,483,068	10,116,819,540
Current assets			
Inventories	24	45,885,306	93,090,534
Properties held for development	25	55,205,163,279	49,314,694,209
Properties under development	25	111,704,090,570	78,982,068,164
Completed properties for sale	25	4,752,181,449	5,290,716,117
Trade and other receivables	26	37,624,915,670	34,370,341,244
Cash and cash equivalents	27	40,779,468,534	37,816,932,912
Total current assets		250,111,704,808	205,867,843,180
TOTAL ASSETS		261,301,187,876	215,984,662,720
EQUITY			
Share capital	28	10,995,210,218	10,995,210,218
Reserves	29	35,209,322,671	33,237,466,573
Total equity attributable to equity shareholders of the Company		46,204,532,889	44,232,676,791
Minority interests		11,602,949,738	10,353,522,851
TOTAL EQUITY		57,807,482,627	54,586,199,642

The accompanying notes form part of these financial statements.

Consolidated balance sheet(continued)

(Expressed in Renminbi Yuan)

	Note	30 Jun. 2011	31 Dec. 2010
LIABILITIES			
Non-current liabilities			
Loans and borrowings	30	29,773,300,951	30,611,643,798
Deferred tax liabilities	23(b)	1,069,998,205	1,086,104,338
Other non-current liabilities	31	10,554,510	8,816,121
Provisions	33	45,437,746	41,107,323
Total non-current liabilities		30,899,291,412	31,747,671,580
Current liabilities			
Loans and borrowings	30	23,039,093,713	16,783,690,787
Financial derivatives		10,545,369	15,054,493
Trade and other payables	32	143,679,994,562	106,138,344,681
Current tax liabilities	12(c)	5,864,780,193	6,713,701,537
Total current liabilities		172,594,413,837	129,650,791,498
TOTAL LIABILITIES		203,493,705,249	161,398,463,078
TOTAL EQUITY AND LIABILITIES		261,301,187,876	215,984,662,720

Approved and authorized for issue by the board of directors on 5 August 2011.

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) Directors
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The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
For the six months ended 30 June 2011
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company										
Change in Equity for the six months ended 30 Jun. 2011	Note	Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee Share -based compensati -on reserve	Revaluation reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
Balance at 1 January 2011		10,995,210,218	8,826,644,405	390,131,926	10,587,706,329	473,226,067	771,108	(511,297,571)	13,470,284,309	44,232,676,791	10,353,522,851	54,586,199,642
Dividend to owners of the Company	15	-	-	-	-	-	-	-	(1,099,521,022)	(1,099,521,022)	-	(1,099,521,022)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(525,092,459)	(525,092,459)
Capital injections from minority interests of subsidiaries		-	-	-	-	-	-	-	-	-	900,796,219	900,796,219
Non-controlling interests arising from acquisitions of non-wholly owned subsidiary		-	-	-	-	-	-	-	-	-	734,950,000	734,950,000
Equity settled share-based transactions	34	-	-	-	-	-	-	26,081,585	-	26,081,585	-	26,081,585
Acquisitions of non-controlling interests		-	-	-	-	-	-	(21,005,279)	-	(21,005,279)	(214,389,754)	(235,395,033)
Disposals of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	78,500,000	78,500,000
Total comprehensive income for the six months period		-	-	88,446,161	-	-	-	-	2,977,854,653	3,066,300,814	274,662,881	3,340,963,695
Balance at 30 June 2011		**10,995,210,218**	**8,826,644,405**	**478,578,087**	**10,587,706,329**	**473,226,067**	**771,108**	**(506,221,265)**	**15,348,617,940**	**46,204,532,889**	**11,602,949,738**	**57,807,482,627**

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company											
Change in Equity in 2010	*Note*	Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee share-based compensation reserve	Revaluation reserve	Other reserve	Retained earnings	Awarded shares purchased for employees' share award scheme	Total	Non-controlling interests	Total equity
Balance at 1 January 2010		10,995,210,218	8,826,644,405	276,721,079	8,737,841,437	473,226,067	107,604,654	(363,623,127)	8,808,398,744	(486,135,416)	37,375,888,061	8,032,624,393	45,408,512,454
Transfer of retained earnings		-	-	-	1,849,864,892	-	-	-	(1,849,864,892)	-	-	-	-
Dividend to owners of the Company	15	-	-	-	-	-	-	-	(769,664,716)	-	(769,664,716)	-	(769,664,716)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,022,809,351)	(1,022,809,351)
Capital injections from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	900,024,038	900,024,038
Non-controlling interests arising from acquisitions of non-wholly owned subsidiary		-	-	-	-	-	-	-	-	-	-	1,504,670,237	1,504,670,237
Equity settled share-based transactions		-	-	-	-	-	-	(17,407,332)	(1,711,866)	486,135,416	467,016,218		467,016,218
Acquisitions of non-controlling interests		-	-	-	-	-	-	(130,267,112)	-	-	(130,267,112)	(305,717,961)	(435,985,073)
Disposals of non-controlling interests		-	-	-	-	-	-	-	-	-	-	(318,921,473)	(318,921,473)
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	7,169,501	7,169,501
Total comprehensive income for the year		-	-	113,410,847	-	-	(106,833,546)	-	7,283,127,039	-	7,289,704,340	1,556,483,467	8,846,187,807
Balance at 31 December 2010		**10,995,210,218**	**8,826,644,405**	**390,131,926**	**10,587,706,329**	**473,226,067**	**771,108**	**(511,297,571)**	**13,470,284,309**	**-**	**44,232,676,791**	**10,353,522,851**	**54,586,199,642**

The accompanying notes form part of these financial statements.

Consolidated cash flow statement for the six months ended 30 June 2011

(Expressed in Renminbi Yuan)

	Note	*2011 Jan. – Jun.*	*2010 Jan. – Jun.*
Cash flows from operating activities			
Cash receipts from customers		50,406,825,400	28,870,516,221
Cash paid to suppliers		(38,777,093,351)	(29,123,479,748)
Cash paid to and for employees		(1,461,654,240)	(1,025,738,335)
Cash paid for other taxes		(9,510,508,795)	(4,385,820,679)
Cash generated from other operating activities		7,004,980,023	2,659,393,935
Cash used in other operating activities		(3,836,700,190)	(6,509,292,573)
Net cash generated from / (used in) operating activities		3,825,848,847	(9,514,421,179)
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash required	5	(2,832,609,183)	188,165,014
Acquisitions of interest in associates, jointly controlled entities and other investments		(398,260,500)	(1,453,342,441)
Acquisitions of property, plant and equipment and construction in progress		(124,039,946)	(40,828,007)
Cash paid for other investment activities		-	-
Proceeds from disposals of subsidiaries	6	(42,569,163)	20,112,929
Proceeds from disposal of property, plant and equipment		328,599	438,616
Proceeds from sales of investments		76,700,000	138,303,746
Proceeds from other investment activities		197,207,554	131,453,581
Dividends received		15,216,215	439,521,967
Net cash used in investing activities		(3,108,026,424)	(576,174,595)

The accompanying notes form part of these financial statements.

Consolidated cash flow statement (continued)
for the six months ended 30 June 2011
(Expressed in Renminbi Yuan)

	Note	*2011 Jan. – Jun.*	*2010 Jan. – Jun.*
Cash flows from financing activities			
Capital injections from minority interests of subsidiaries		1,804,652,556	1,134,963,387
Proceeds from loans and borrowings		14,003,077,865	11,911,335,211
Repayment of loans and borrowings		(8,497,000,000)	(5,067,889,566)
Dividends paid to equity shareholder		(1,018,124,006)	(771,376,582)
Dividends paid to minority shareholder		(214,960,544)	(68,928,292)
interest paid		(1,835,046,472)	(1,045,917,309)
Net cash (used in) / generated from *financing activities*		4,242,599,399	6,092,186,849
Net increase in cash and cash equivalents		4,960,421,822	(3,998,408,925)
Cash and cash equivalents at 1 January		35,096,935,416	22,002,774,938
Effect of foreign exchange rate changes		(10,587,288)	(4,982,697)
Cash and cash equivalents at balance sheet date		40,046,769,950	17,999,383,316

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Yuan)

1 Reporting entity

China Vanke Co., Ltd (the "Company") is a company domiciled in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The Group is primarily involved in the development and sale of properties in the PRC (see note 7).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Company's board of directors on 5 August 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi Yuan, which is the Group's functional currency.

2 Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 16, 17 and 18 – depreciation and impairment of property, plant and equipment , investment properties and construction in progress.
- Note 25 – write down of properties
- Note 26 – impairment of trade debtors and other receivables
- Note 41 – accounting estimates and judgements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(r) and 3(t) depending on the nature of the liability.

(ii) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group of that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of investees' net assets and any impairment loss relating to the investment (see note 3(h)(i)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(iii) Business combinations

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking over the control of the entity, the interests of the entity previously recorded in the Group's financial statements are revalued on the basis of the fair values of the identifiable assets and liabilities at the transaction date. Any revaluation surplus/deficits are recorded in equity.

When control already exists at the date of addition in interest in an entity, no fair value adjustment is made to the identifiable assets, liabilities and contingent liabilities of the entity. Any difference between the considerations and the carrying amount of interests previously recorded in the Group's financial statements is dealt with in equity.

Where the Group decreases its interest in a subsidiary without losing control, any gain or loss on the partial disposal is recognised in equity.

(iv) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment (see note 3(h)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 3(h)).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Goodwill (continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, and attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Renminbi at exchange rate at the reporting date. The income and expenses of foreign operations are translated to Renminbi at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated separately in equity in the foreign exchange reserve. When a foreign operation is disposed of, in part of in full, the relevant amount in the foreign exchange reserve is transferred to profit or loss as part of the profit or loss on disposal.

3 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recongnised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)) and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial reorganisation, derivatives are measured at fair values, and all changes in its fair value are recognised immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Hotel and other properties held for own use, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(n)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Year	*Estimated residual value as a percentage of costs*
Hotel buildings	34	4%
Other buildings	12.5 - 25	4%
Improvements to premises	5 years or over terms of leases	-
Plant and machinery	5 - 10	4%
Furniture, fixtures and equipment	5 - 10	4%
Motor vehicles	5	4%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 3(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(h)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(n)).

Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment property is accounted for as described in note 3(l)(iii).

Depreciation is calculated to write off the cost of items of investment properties, less their estimated residual value of 4% of costs, using straight line method over their estimated useful lives of 12.5 to 34 years.

3 Significant accounting policies (continued)

(f) Construction in progress

Construction in progress represents items of property, plant and equipment or investment properties under construction and pending installation, and is stated at cost less impairment losses (see note 3(h)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (see note 3(n)), and an appropriate proportion of production overheads incurred during the periods of construction and installation. Capitalisation of those costs ceases and the construction in progress is transferred to property, plant and equipment or investment properties, as appropriate, when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is held for development, under development or completed and held for sale (see notes 3(j) and 3(k)).

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(h)(ii).
- For unquoted securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.
- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- property, plant and equipment;
- construction in progress; and
- lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Properties under development and properties held for development

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for development comprise specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 3(n)). Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs to be incurred in selling the properties.

3 Significant accounting policies (continued)

(k) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less the estimated costs to be incurred in selling the properties.

The cost of completed properties for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing completed properties for sale to their present location and condition.

When properties are sold, the carrying amount of those properties is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of properties to net realisable value and all losses of properties are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties is recognised as a reduction in the amount of properties recognised as an expense in the period in which the reversal occurs.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from the sale of completed properties for sale is recognised upon the signing of the sale and purchase agreement and the receipt of the deposits pursuant to the sale and purchase agreement or the achievement of status ready for hand-over to customers as stipulated in the sales and purchase agreements, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under sales deposits received in advance.

(ii) Provision of services

Revenue from services is recognised when services are rendered.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

3 Significant accounting policies (continued)

(l) Revenue recognition (continued)

(v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other sundry income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

The above revenue is net of the relevant taxes and is after the deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(m) Lease prepayments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3 Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans administrated by the PRC government are recognised as an expense when incurred according to the contribution defined by the plans.

(ii) Share based payments

The fair value of the shares granted to the employees (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in employee share based compensation reserve within equity. The fair value is measured at grant date using the Monte-Carlo option pricing model, taking into account the terms and conditions upon which the Awarded Shares were granted. As the employees have to meet vesting conditions before becoming unconditionally entitle to the Awarded Shares, the total estimated fair value of the Awarded Shares is spread over the vesting period, taking into account the probability that the Awarded Shares will vest. As the duration of the vesting period depends on the market price of the Company's A shares, the estimation on the vesting period is reviewed at each balance sheet date. Any adjustment to the employee cost recognised in prior years is charged / credited to the profit or loss for the year of review with a corresponding adjustment to the compensation reserve.

The Group's contribution to the Scheme is stated at cost and is presented as a contra account, namely, Awarded Shares purchased for the Employees' share award scheme, within equity.

When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares vested are credited to Awarded shares purchased for the Employee's share award scheme with a corresponding adjustment to the employee share based compensation reserve.

When the Scheme expires, the related costs of the Awarded Shares disposed are credited to Awarded shares purchased for the Employee's share award scheme, and the disposal gains or losses are credited to Capital reserve arising from disposal of awarded shares.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred assets and liabilities. Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

3 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary difference arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter at amortised cost less impairment losses for bad and doubtful debts (see note 3(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(h)).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(u), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3 Significant accounting policies (continued)

(t) Interest-bearing borrowings and bonds

Interest-bearing borrowings and bonds are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings/bonds are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings/bonds, together with any interest and fees payable, using the effective interest method.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(u)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(u)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(u)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

3 Significant accounting policies (continued)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3 Significant accounting policies (continued)

(x) Operating segments

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for the financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale

The fair value of property, plant and equipment, properties held for development, properties under development and completed properties for sale is based on market values. The market value of these properties is the estimated amount for which an item could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale is based on the quoted market prices for similar items when available and replacement cost when appropriate.

(iii) Investments in debt and equity securities

The fair value of listed available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date without any deduction for transaction costs. There is no quoted market price in an active market for the unlisted equity and debt securities and thus their fair value cannot be reliably estimated.

5 Acquisitions of subsidiaries

(i) Acquisitions of subsidiaries by the Group during the six months ended 30 June 2011:

(a) Pursuant to an equity transfer agreement 25 September 2010, the Company acquired a 50% equity interest in Shenzhen Haixuan Investment Development Company Limited ("Haixuan") with a consideration of RMB 5 Million. Haixuan is principally engaged in property development and sale. The acquisition was completed on 24 March 2011. After the acquisition, the Company holds a 100% equity interest in Haixuan. (note)

(b) Pursuant to an equity transfer agreement 27 January 2011, the Company acquired a 100% equity interest in Wuhan Yongli Property Company Limited ("Yongli") with a consideration of RMB 36 Million. Yongli is principally engaged in property development and sale. The acquisition was completed on 9 March 2011. (note)

(c) Pursuant to an equity transfer agreement 10 Janauray 2011, the Company acquired a 100% equity interest in Winble Capital Limited ("Winble") with a consideration of HKD 1,000. Winble is principally engaged in investment holding. The acquisition was completed on 10 Janauray 2011.

(d) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 100% equity interest in Guangzhou Panyu Xiangxin Real Estate Company Limited ("Panyu Xiangxin") with a consideration of RMB 3,100 Million. Panyu Xiangxin is principally engaged in property development and sale. The acquisition was completed on 1 April 2011. (note)

(e) Pursuant to an equity transfer agreement 20 January 2011, the Group acquired a 70% equity interest in Sanya Vanke Zhongshi Real Estate Company Limited ("Zhongshi") with a consideration of RMB 14 Million. Zhongshi is principally engaged in property development and sale. The acquisition was completed on 26 April 2011.

(f) Pursuant to an equity transfer agreement 21 June 2011, the Group acquired a 51% equity interest in Shanxi HanBo Industrial Company Limited ("Shanxi HanBo") with a consideration of RMB 5.1 Million. Shanxi HanBo is principally engaged in property development and sale. The acquisition was completed on 24 June 2011.

(g) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 34% equity interest in Dongguan ShengHong Industrial Investment Company Limited ("ShengHong") with a consideration of RMB 0.34 Million. ShengHong is principally engaged in property development and sale. The acquisition was completed on 11 May 2011. (note)

(h) Pursuant to an equity transfer agreement 23 December 2010, the Group acquired a 25% equity interest in Dongguan Zhongwanguangda Industrial Investment Company Limited ("Zhongwanguangda") with a consideration of RMB 0.25 Million. Zhongwanguangda is principally engaged in property development and sale. The acquisition was completed on 11 May 2011. (note)

5 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the six months ended 30 June 2011: （Continued）

(i) Pursuant to an equity transfer agreement 9 May 2011, the Group acquired a 100% equity interest in Future Vision Investments Limited ("Future Vision") with a consideration of USD 22,662,135. Future Vision is principally engaged in investment holding. The acquisition was completed on 9 May 2011.

(j) Pursuant to an equity transfer agreement 1Janauray 2011, the Group acquired a100% equity interest in Glorious Profit Investments Limited with a consideration of HKD 1.Glorious Profit is principally engaged in investment. The acquisition was completed on 1Janauray 2011.

Note: In the circumstances, the acquired subsidiaries’ major assets are properties held for development, properties under development and/or completed properties for sale. The directors consider that the purpose of acquiring those subsidiaries is solely to acquire the underlying properties.

The acquisitions had the following effect on the Group’s cash flow on acquisition dates:

Considerations, satisfied in cash	3,313,214,006
Cash acquired	(705,397,323)
Considerations prepaid in prior years	(5,000,000)
Considerations to be paid subsequent to 30 June 2011	(335,100,000)
Considerations paid in 2011	2,267,716,683
Cash paid for acquisitions in prior years	564,892,500
Net cash outflow	2,832,609,183

All subsidiaries set out above were acquired from third parties.

6 Disposal of subsidiaries

(i) Disposal of subsidiaries by the Group during the six months ended 30 June 2011:

(a) On 25 January 2011, the Group disposed of 69.58% equity interest in Shenzhen Oriental Xinyue Industry Company Limited (“Xinyue”), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB 25 million. Subsequent to the transfer, Xinyue became an associate of the Group.

6 Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries by the Group during the six months ended 30 June 2011: (continued)

Effect of the disposal on individual assets and liabilities of the Group for the six months ended 30 June 2011

Cash and cash equivalents	42,569,163
Trade and other receivables	728,111,672
Properties held for development, properties under development and completed properties for sales	35,348,727
Property, plant and equipment	11,816
Other long-term liabilities	61,775
Trade and other payables	(768,039,508)
Minority interests	(11,542,396)
Net assets and liabilities disposed of by the Group	26,397,700
Loss on disposal of subsidiaries	(1,240,469)
Considerations received in prior years	-
Considerations to be received subsequent to June 2011	-
Considerations received, satisfied in cash	-
Cash disposed of	(42,569,163)
Net cash outflow	**(42,569,163)**

7 Operating segments

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development (Beijing Region / Shenzhen Region / Shanghai Region / Chengdu Region): given the importance of the property development division to the Group, the Group's property development business is segregated further into four reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All four segments derive their revenue from development and sale of residential properties. The properties are mainly sold to individual customers; therefore, the Group does not have major customers. Currently the Group's activities in this regard are also carried out in mainland China. Details about the specific cities covered by each region are set out in note 7(b).

- Property management services: this segment provides house keeping services to the property development segment, as well as the external property developers. Currently the Group's activities in this regard are also carried out in mainland China.

7 Operating segments (continued)

Although the operating segment of property management services does not meet any of the quantitative thresholds specified in IFRS 8, *Operating Segments*, management believes that information about the segment would be useful to users of the financial statements.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

(i) Segment assets and liabilities

Segment assets include all tangible, intangible assets, other investments and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals, interest-bearing borrowings and bonds, and the provision for the estimated losses to be borne by the Group in relation to the property management projects.

(ii) Segment revenue and expenses

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

(iii) Segment profit

The measure used for reporting segment profit is the profit before PRC corporate income tax expense, excluding share of profit or loss of associates or jointly controlled entities and other non-operating income and expense, but including the profit arising from the inter-segment transactions. Land appreciation tax is deducted from segment profit for the review by the Group's senior executive management for it is considered directly attributable to the sale of properties.

(iv) Inter-segment transactions

Inter-segment sales are priced with reference to prices charged to external parties for similar services.

7 Operating segments (continued)

(a) Segment results, assets and liabilities (continued)

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the six months ended 30 June 2011						
Revenue from external revenue, before sales taxes	3,133,634,307	7,568,063,932	6,723,807,357	2,264,285,337	298,004,932	19,987,795,865
Inter-segment revenue	-	-	237,376	-	261,053,608	261,290,984
Reportable segment revenue, before sales taxes	**3,133,634,307**	**7,568,063,932**	**6,724,044,733**	**2,264,285,337**	**559,058,540**	**20,249,086,849**
Reportable segment profit	**274,492,166**	**2,076,160,389**	**2,076,362,092**	**76,224,194**	**(8,070,194)**	**4,495,168,647**
Interest income	22,191,821	5,580,555	17,303,678	25,397,724	1,574,445	72,048,223
Interest expense	25,802,708	30,195,421	165,196,292	56,795,991	2,049	277,992,461
Share of profits less losses of associates and jointly controlled entities (note (5))	(8,732,211)	2,477,863	(8,493,108)	7,627,524	-	(7,119,932)
Reportable segment assets	77,245,185,711	84,126,720,640	74,716,283,837	41,610,385,281	1,387,562,778	279,086,138,247
Reportable segment liabilities	65,248,116,279	72,864,899,896	64,618,795,185	38,241,490,130	1,290,561,036	242,263,862,526

7 Operating segments (continued)

(a) Segment results, assets and liabilities (continued)

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the six months ended 30 June 2010						
Revenue from external revenue, before sales taxes	2,149,126,918	5,095,505,275	7,475,581,482	1,800,925,849	243,227,276	16,764,366,800
Inter-segment revenue	-	-	-	-	191,521,452	191,521,452
Reportable segment revenue, before sales taxes	2,149,126,918	5,095,505,275	7,475,581,482	1,800,925,849	434,748,728	16,955,888,252
Reportable segment profit	**304,453,596**	**1,638,422,692**	**2,318,984,037**	**328,607,518**	**56,540,674**	**4,647,008,517**
Interest income	20,102,939	19,819,303	16,515,825	7,029,393	8,796,574	72,264,034
Interest expense	93,863,691	91,946,523	66,202,812	26,227,330	4,900,125	283,140,481
Share of profits less losses of associates and jointly controlled entities (note (5))	807,870	(816,231)	73,919,000	1,890,272	-	75,800,911
Reportable segment assets	36,988,534,841	47,859,493,449	45,601,239,974	23,320,009,267	2,260,460,140	156,029,737,671
Reportable segment liabilities	28,044,564,525	37,622,400,832	35,757,761,584	18,318,663,407	1,251,787,191	120,995,177,540

7 Operating segments (continued)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2011 Jan-Jun	*2010 Jan-Jun*
Revenue		
Reportable segment revenue	20,249,086,849	16,955,888,252
Unallocated head office and corporate revenue	72,770,654	27,384,851
Sales taxes	(1,101,872,550)	(950,076,226)
Elimination of inter-segment revenue	(333,019,426)	(216,942,653)
Consolidated turnover	18,886,965,527	15,816,254,224
Profit		
Reportable segment profit	4,495,168,647	4,647,008,517
Elimination of inter-segment profit	(36,292,630)	(881,109,052)
Share of profits less losses of associates and jointly controlled entities	7,773,409	94,439,940
Other income	47,661,182	206,654,647
Other expenses, excluding provision for doubtful debts	(4,805,845)	(18,908,745)
Dividend income	15,266,215	236,573,500
Unallocated head office and corporate expenses	(72,962,320)	(136,518,456)
Land appreciation tax	1,415,015,160	692,744,364
Consolidated profit before taxation	5,866,823,818	4,840,884,715
Assets		
Reportable segment assets	279,427,047,409	156,029,737,671
Elimination of inter-segment receivables	(134,365,538,608)	(81,934,719,276)
Deferred tax assets	1,935,106,184	363,283,736
Unallocated head office and corporate assets	114,304,572,891	86,417,646,156
Consolidated total assets	261,301,187,876	160,875,948,287
Liabilities		
Reportable segment liabilities	242,263,862,526	120,995,177,540
Elimination of inter-segment payables	(120,925,595,834)	(65,263,322,452)
Deferred tax liabilities	1,069,998,205	363,283,736
Unallocated head office and corporate liabilities	81,085,440,352	56,361,000,686
Consolidated total liabilities	203,493,705,249	112,456,139,510

7 Operating segments (continued)

Notes:

(1) Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang and Fushun.

(2) Shenzhen region represents Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, and Hainan.

(3) Shanghai region represents Shanghai, Hangzhou, Suzhou, Wuxi, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu and Nantong.

(4) Chengdu Region represents Chengdu, Wuhan, Xi’an, and Chongqing, Kunming, and Guiyang and Wulumuqi.

(5) Share of profits less losses of associates and jointly controlled entities that is attributable to head office and not allocated to the respective segments is RMB14,893,340 (2010: RMB 18,639,027).

8 Other income

	2011 Jan.–Jun.	*2010 Jan.–Jun.*
Forfeited deposits and compensation from customers	9,862,643	8,063,534
Gain/(Loss) on disposals of subsidiaries	(1,240,469)	62,784,054
Gain on acquisitions of subsidiaries	450,017	-
Gain on disposals of minority interests of subsidiary	5,200,000	-
Gain on disposals of other investment	881,275	100,937,645
Gain on disposals of property, plant and equipment	280,254	561,971
Other sundry income	32,227,462	34,307,443
	47,661,182	206,654,647

9 Other expenses

	2011 Jan-Jun	*2010 Jan-Jun*
Provision for doubtful debts	68,438,617	16,245,542
Donations	1,443,640	6,541,885
Loss on disposals of property, plant and equipment	475,164	871,183
Net unrealised loss on financial derivatives	(3,627,849)	5,810,671
Penalties	1,749,473	1,140,705
Other sundry expenses	4,765,417	4,544,301
	73,244,462	35,154,287

10 Personnel expenses

	2011 Jan-Jun	*2010 Jan-Jun*
Wages, salaries and other staff costs	647,623,936	550,442,059
Contributions to defined contribution plans	91,989,414	63,016,667
Equity-settled share-based compensation	26,081,585	-
	765,694,935	613,458,726

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at the rates ranged from 10% to 22% (2010: from 10% to 22%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

11 Finance income and finance costs

	2011 Jan-Jun	*2010 Jan-Jun*
Interest income	349,416,148	137,027,378
Dividend income	15,266,215	236,573,500
Foreign exchange gain	10,927,020	-
Financing income	375,609,383	373,600,878
Interest expense and borrowing costs	1,857,312,467	1,176,514,037
Less：Interest capitalised	(1,339,720,823)	(801,337,555)
Finance costs	517,591,644	375,176,482
Foreign exchange loss	-	10,995,237
Financing expenses	517,591,644	386,171,719
Net financing costs	(141,982,261)	(12,570,841)

Interest expense and other borrowing costs have been capitalised at an average rate of 7.4% (2010: 7.6%) per annum.

12 Taxation

(a) Taxation in the consolidated income statement represents:

	2011 Jan-Jun	*2010 Jan-Jun*
Current tax		
PRC Enterprise Income Tax		
Provision for the six months period	1,501,143,595	1,090,488,185
Land Appreciation Tax	1,421,216,977	748,264,949
	2,922,360,572	1,838,753,134
Deferred tax		
Fair value adjustments arising from business combinations		
- PRC Enterprise Income Tax	(14,569,304)	(44,541,340)
- Land Appreciation Tax	(6,201,817)	(55,520,585)
Accrual for Land Appreciation Tax	(52,707,948)	66,593,912
Tax losses	(208,018,044)	(165,043,240)
Provision for diminution in value of properties	-	62,246,316
Accruals for construction costs	(19,187,762)	(27,581,226)
Other temporary differences	(7,369,413)	5,156,856
	(308,054,288)	(158,689,307)
	2,614,306,284	1,680,063,826

The provision for PRC Corporate Income Tax is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC range between 24% and 25% (2010: between 22% and 25%).

According to the China's Corporate Income Tax ("CIT") Law that was passed by the Standing Committee of the Tenth National People's Congress ("NPC") on 16 March 2007 and the Notice of the State Council on the Transitional Preferential Policy regarding implementation of the CIT Law (Guo Fa [2007] No.39) issued on 26 December 2007, income tax rate is revised to 25% with effect from 1 January 2008. For certain enterprises that are entitled to preferential income tax rate of 15% before the implementation of the CIT Law, the income tax rate applicable will be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, and 2012 and thereafter respectively. As at 30 June 2010 and 2009, deferred tax assets and liabilities are calculated based on the applicable income tax rates enacted by the NPC from 1 January 2008.

Land Appreciation Tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

12 Taxation (continued)

(a) Taxation in the consolidated income statement represents (continued):

The following is a reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 Jan-Jun	*2010 Jan-Jun*
Profit before income tax	5,866,823,818	4,840,884,715
Less: Land Appreciation Tax	1,415,015,160	692,744,364
	4,451,808,658	4,148,140,351
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	1,086,513,366	983,564,693
Non-taxable income	(2,067,604)	(48,616,142)
Non-deductible expenses	81,422,218	51,639,753
Effect of tax losses not recognised	34,582,006	33,603,070
Recognition of previously unrecognised tax losses	(1,046,115)	(29,495,496)
Effect of unused tax losses recognised in prior years	-	295,494
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(112,747)	(3,671,910)
PRC Corporate Income Tax	1,199,291,124	987,319,462
Land Appreciation Tax	1,415,015,160	692,744,364
Actual total tax expense	2,614,306,284	1,680,063,826

(b) Taxation recognized directly in equity

	2011 Jan-Jun	*2010 Jan-Jun*
Arising from fair value adjustments on available-for-sale securities (note 23(b))	-	(24,666,306)

12 Taxation (continued)

(c) Current taxation in the consolidated balance sheet represents:

	30 Jun. 2011	***31 Dec. 2010***
Corporate Income Tax	719,260,327	1,677,498,217
Land Appreciation Tax	5,145,519,866	5,036,203,320
	5,864,780,193	6,713,701,537

Land Appreciation Tax provisions have been made pursuant to Guo Shui Fa (2006) No 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The management considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of Land Appreciation Tax, the provisions have been recorded as current liabilities as at 30 June 2011 and 31 December 2010.

13 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Jan-Jun.2011			*Jan-Jun.2010*		
	Before-tax amount	*Tax expense*	*Net-of-tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-tax amount*
Exchange differences on translation of financial statements of overseas subsidiaries	88,446,161	-	88,446,161	47,738,002	-	47,738,002
Available-for-sale securities: net movement in fair value reserve				(118,606,060)	24,666,306	(93,939,754)
Other comprehensive Income	88,446,161	-	88,446,161	(70,868,058)	24,666,306	(46,201,752)

13 Other comprehensive income (continued)

(b) Reclassification adjustments relating to components of other comprehensive income

	2011 *Jan-Jun* RMB	*2010* *Jan-Jun* RMB
Available-for sale securities:		
Gains/(loss) arising during the period	-	(2,183,281)
Less: Reclassification adjustments for gains included in profit	-	91,756,473
Net movement in the fair value reserve during the year recognised in other comprehensive income	-	(93,939,754)

14 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of RMB2,977,854,653(2010: 2,812,498,573) and on the weighted average number of ordinary shares outstanding during the year of 10,995,210,218 (2010: 10,995,210,218) shares.

There were no dilutive potential shares during the years presented above.

15 Dividends

A cash dividend of RMB 0.10 per share, resulting in a dividend payment of RMB 1,099,521,022 in respect of the year ended 31 December 2010 was declared and paid during the reporting period ended 30 June 2011.

A cash dividend of RMB 0.07 per share, resulting in a dividend payment of RMB 769,664,715 in respect of the year ended 31 December 2009 was declared and paid during the year ended 31 December 2010.

16 Property, plant and equipment

	Hotel and other buildings held for own use	Improvements to premises	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
Cost:						
At 1 January 2010	1,485,863,696	70,056,521	26,205,266	187,708,560	88,121,188	1,857,955,231
Additions	328,253,317	18,673,900	1,594,310	26,835,907	23,042,503	398,399,937
Disposals	(128,580,968)	(3,756,875)	(620,128)	(11,150,925)	(10,354,929)	(154,463,825)
At 31 December 2010	1,685,536,045	84,973,546	27,179,448	203,393,542	100,808,762	2,101,891,343
At 1 January 2011	1,685,536,045	84,973,546	27,179,448	203,393,542	100,808,762	2,101,891,343
Additions:						
via acquisitions of subsidiaries	-	-	-	1,168,262	2,306,778	3,475,040
others	27,121,495	15,338,386	1,540,757	17,230,705	14,152,205	75,383,548
Disposals	(46,949,740)	(2,902,132)	(274,873)	(4,063,496)	(4,643,983)	(58,834,224)
At 30 June 2011	1,665,707,800	97,409,800	28,445,332	217,729,013	112,623,762	2,121,915,707

16 Property, plant and equipment (continued)

	Hotel and other buildings held for own use	Improvements to premises	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
Accumulated depreciation and impairment loss:						
At 1 January 2010	166,727,300	31,212,208	10,848,440	119,573,379	60,331,868	388,693,195
Charge for the year	59,567,105	18,387,544	2,103,299	18,498,107	13,005,762	111,561,817
Written back on disposals	(1,792,661)	(3,678,689)	(515,275)	(9,999,578)	(8,072,696)	(24,058,899)
At 31 December 2010	224,501,744	45,921,063	12,436,464	128,071,908	65,264,934	476,196,113
At 1 January 2011	224,501,744	45,921,063	12,436,464	128,071,908	65,264,934	476,196,113
Additions:						
via acquisitions of subsidiaries	-	-	-	757,307	62,798	820,105
Charge for the period	25,896,954	7,691,150	888,972	12,675,094	6,350,262	53,502,432
on disposals	(115,376)	(1,453,430)	(155,686)	(3,120,640)	(3,797,088)	(8,642,220)
At 31 June 2011	250,283,322	52,158,783	13,169,750	138,383,669	67,880,906	521,876,430
Net book value:						
At 30 Jun. 2011	1,415,424,478	45,251,017	15,275,582	79,345,344	44,742,856	1,600,039,277
At 31 Dec. 2010	1,461,034,301	39,052,483	14,742,984	75,321,634	35,543,828	1,625,695,230

17 Investment properties

	30 Jun.2011	*31 Dec.2010*
Cost:		
At 1 January	150,400,720	256,641,320
Addition	65,060,776	15,216,622
Disposals	-	(121,457,222)
At balance sheet date	215,461,496	150,400,720
Accumulated depreciation and impairment loss:		
At 1 January	21,224,525	28,498,162
Charge for the period	3,675,561	5,245,393
Written back on disposals	-	(12,519,030)
At balance sheet date	24,900,086	21,224,525
Net book value:		
At balance sheet date	190,561,410	129,176,195

Investment properties comprise certain commercial properties that are leased to external parties. The directors, having regard to recent market transactions of similar properties in the same location as the Group's investment properties, consider the estimated fair value of the investment properties to be RMB196,205,136 (2010: RMB147,471,563).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to twenty years. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 Jun.2011	*31 Dec.2010*
Within 1 year	10,602,247	2,737,406
After 1 year but within 5 years	42,145,420	6,211,900
After 5 years	23,032,347	5,354,500
	75,780,014	14,303,806

18 Construction in progress

	30 Jun.2011	*31 Dec.2010*
At 1 January	764,282,141	593,208,234
Additions	140,485,549	183,514,194
Transfer to properties under development	(6,490,000)	-
Transfer to property, plant and equipment	(20,894)	(12,440,287)
	898,256,796	764,282,141

Construction in progress represents self-constructed office premises and owner managed hotel under construction.

19 Principal subsidiaries

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
1	Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	Property development
2	Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	Property development
3	Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB2,000,000,000	100%	Property development
4	Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100%	Property management
5	Beijing Zhongliang Vanke Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	Property development
6	Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	Property development
7	Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100%	Property management
8	Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	100%	Property development
9	Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	Property development
10	Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	Property development
11	Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	Property development
12	Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	Property development
13	Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100%	Property management
14	Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	Property development
15	Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,000,000	51%	Property development

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
16	Dalian Vanke City Property Company Limited	Dalian	USD42,000,000	55%	Property development
17	Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	Property development
18	Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	Property development
19	Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100%	Construction research
20	Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100%	Property management
21	Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	Property development
22	Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	Property development
23	Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	Property development
24	Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	Property development
25	Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	Property development
26	Fushun Vanke Property Development Co., Ltd.	Fushun	RMB10,000,000	100%	Property development
27	Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	Property development
28	Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	Property development
29	Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	Property development
30	Guangzhou Vanke Property Management Company Limited	Guangzhou	RMB5,000,000	100%	Property management
31	Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB1,000,000,000	100%	Property development
32	Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	Property development
33	Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	Property development
34	Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100%	Property development
35	Hainan Vanke Property Development Company Limited	Haikou	RMB10,000,000	100%	Property development
36	Hangzhou Liangzhu Culture Town Development Company Limited	Hangzhou	RMB30,000,000	100%	Property development
37	Hangzhou Vanke Hotel Management Company Limited	Hangzhou	RMB10,000,000	100%	Hotel management
38	Hangzhou Linlu Property Development Company Limited	Hangzhou	RMB170,000,000	100%	Property development
39	Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	Property development
40	Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	Property development

19 Principal subsidiaries (continued)

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
41	Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	Property development
42	Hefei Vanke Property Company Limited	Hefei	RMB200,000,000	100%	Property development
43	Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	Property development
44	Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	Property development
45	Jiaxing Vanke Property Development Co., Ltd.	Jiaxing	RMB100,000,000	100%	Property development
46	Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	Property development
47	Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	Property development
48	Nanjing Jinyu Blue Property Company Limited	Nanjing	RMB90,000,000	100%	Property development
49	Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	Property development
50	Nantong Vanke Property Development Co., Ltd.	Nantong	RMB8,000,000	100%	Property development
51	Ningbo Jiangbei Vanke Property Company Limited	Ningbo	RMB675,000,000	100%	Property development
52	Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	Property development
53	Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60%	Property development
54	Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	Property development
55	Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	Property development
56	Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	Property development
57	Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	Property development
58	Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	100%	Property development
59	Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	Property development
60	Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	Property development
61	Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90%	Property development
62	Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	Property development
63	Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100%	Property development
64	Shanghai Vanke Property Management Company Limited	Shanghai	RMB12,260,000	100%	Property management
65	Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100%	Property development
66	Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	Property development

19 Principal subsidiaries (continued)

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
67	Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	Property development
68	Shanxi Hualian Property Development Company Limited	Xi'an	RMB367,850,000	51%	Property development
69	Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100%	Property development
70	Shenyang Vanke Jinyu Blue Bay Property Development Company Limited	Shenyang	RMB578,150,000	100%	Property development
71	Shenyang Vanke Property Management Company Limited	Shenyang	RMB10,000,000	100%	Property management
72	Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100%	Property development
73	Shenyang Vanke Tianqinwan Property Company Limited	Shenyang	USD99,980,000	55%	Property development
74	Shenzhen Fuchun East (Group) Company Limited	Shenzhen	USD 14,600,000	100%	Property development
75	Shenzhen Fuchun East Real Estate Company Limited	Shenzhen	RMB158,000,000	100%	Property development
76	Shenzhen Longcheer Yacht Club Company Limited	Shenzhen	RMB57,100,000	100%	Club Service
77	Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	Property development
78	Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	Property development
79	Shenzhen Vanke Financial Consultancy Company Limited	Shenzhen	RMB15,000,000	100%	Investment trading and Consultancy services
80	Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	100%	Property development
81	Shenzhen Vanke Property Management Company Limited	Shenzhen	RMB50,000,000	100%	Property management
82	Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	Property development
83	Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	Property development
84	Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	Property development
85	Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	Property development
86	Suzhou Nandu Jianwu Company Limited	Suzhou	RMB300,000,000	70%	Property development
87	Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	Property development
88	Taiyuan Vanke Real Estate Company Limited	Taiyuan	RMB60,000,000	100%	Property development

19 Principal subsidiaries (continued)

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
89	*Tander China Investment Company Limited*	*Hong Kong*	*HKD10,000*	*100%*	*Investment*
90	*Tangshan Vanke Property Development Co., Ltd.*	*Tangshan*	*RMB200,000,000*	*100%*	*Property development*
91	*Tianjin Vanke Property Management Company Limited*	*Tianjin*	*RMB10,000,000*	*100%*	*Property management*
92	*Tianjin Vanke Real Estate Company Limited*	*Tianjin*	*RMB390,000,000*	*100%*	*Property development*
93	*Tianjin Vanke Xinlicheng Company Limited*	*Tianjin*	*RMB230,000,000*	*100%*	*Property development*
94	*Tianjin Wanbin Real Estate Development Company Limited*	*Tianjin*	*RMB455,000,000*	*60%*	*Property development*
95	*Tianjin Wanfu Investment Company Limited*	*Tianjin*	*RMB192,000,000*	*100%*	*Property development*
96	*Tianjin Wanzhu Investment Company Limited*	*Tianjin*	*RMB20,000,000*	*100%*	*Property development*
97	*Tianjin Zhongtian Wanfang Investment Company Limited*	*Tianjin*	*RMB20,000,000*	*100%*	*Property development*
98	*Vanke (Chongqing) Real Estate Company Limited*	*Chongqing*	*RMB100,000,000*	*100%*	*Property development*
99	*Vanke Property (Hong Kong) Company Limited*	*Hong Kong*	*USD9,500,000*	*100%*	*Investment*
100	*Vanke Real Estate (Hong Kong) Company Limited*	*Hong Kong*	*HKD15,600,000*	*100%*	*Investment*
101	*Wuhan Guohao Property Company Limited*	*Wuhan*	*RMB10,000,000*	*55%*	*Property development*
102	*Wuhan Vanke Property Management Company Limited*	*Wuhan*	*RMB12,000,000*	*100%*	*Property management*
103	*Wuhan Vanke Real Estate Company Limited*	*Wuhan*	*RMB150,000,000*	*100%*	*Property development*
104	*Wuhan Vanke Tiancheng Real Estate Company Limited*	*Wuhan*	*USD12,100,000*	*55%*	*Property development*
105	*Wuhan Wangjiadun Morden City Property Company Limited*	*Wuhan*	*RMB200,000,000*	*100%*	*Property development*
106	*Wuxi Dongcheng Real Estate Company Limited*	*Wuxi*	*USD149,400,000*	*100%*	*Property development*
107	*Wuxi Vanke Real Estate Company Limited*	*Wuxi*	*RMB300,000,000*	*60%*	*Property development*
108	*Wuxi Wansheng Real Estate Development Company Limited*	*Wuxi*	*USD49,200,000*	*100%*	*Property development*
109	*Xiamen Vanke Real Estate Company Limited*	*Xiamen*	*RMB50,000,000*	*100%*	*Property development*
110	*Xi'an Vanke Real Estate Company Limited*	*Xi'an*	*RMB20,000,000*	*100%*	*Property development*
111	*Xinjiang Vanke Real Estate Company Limited*	*Wulumuqi*	*RMB100,000,000*	*100%*	*Property development*
112	*Yangzhou Wanwei Property Company Limited*	*yangzhou*	*RMB550,000,000*	*65%*	*Property development*
113	*Yantai Vanke Property Development Co., Ltd.*	*Yantai*	*RMB30,000,000*	*100%*	*Property development*
114	*Zhejiang Vanke Nandu Real Estate Company Limited*	*Hangzhou*	*RMB150,000,000*	*100%*	*Property development*
115	*Zhenjiang RunduProperty Company Limited*	*Zhenjiang*	*RMB20,000,000*	*100%*	*Property development*
116	*Zhenjiang Runnan Property Company Limited*	*Zhenjiang*	*RMB50,000,000*	*100%*	*Property development*

19 Principal subsidiaries (continued)

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
117	Zhenjiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
118	Zhenjiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
119	Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	Property development
120	Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	95%	Property development

Note: The directors consider these entities as subsidiaries of the Group as the Group has the power to govern the financial and operating policies of these entities.

20 Interest in associates

Details of the Group's principal associates at 30 June 2011 are as follows:

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
1	Beijing Jinyu Vanke Property Development Company Limited	Beijing	RMB190,000,000	49%	Property development
2	Wuhan Golf City Gardern Real Estate Company Limited (note1)	Wuhan	RMB219,000,000	49%	Property development
3	Shanghai Nandu White Horse Real Estate Company Limited (note1)	Shanghai	RMB27,000,000	49%	Property development
4	Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note1)	Chengdu	RMB140,000,000	49%	Property development
5	Hefei Yihang Vanke Real Estate Company Limited (note2)	Hefei	RMB101,500,000	50%	Property development
6	Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note1)	Suzhou	RMB280,000,000	49%	Property development
7	Changsha Oriental City Real Esteate Company Limited	Changsha	RMB20,000,000	20%	Property development
8	Shanghai Zunyi Property Management Company Limited	Shanghai	RMB3,000,000	30%	Property management
9	Foshan Shunde District Zhonghang Vanke Property Company Limited	Foshan	RMB600,000,000	15%	Property development
10	Xiamen Wantefu Property Development Company Limited	Xiamen	RMB890,000,000	30%	Property development
11	Guangzhou Yinyejunrui Property Development Company Limited (note1)	Guangzhou	RMB10,000,000	49%	Property development
12	Shanghai Jingyuan Property Development Company Limited	Shanghai	RMB555,000,000	45%	Property development
13	Langfang Kuangshijiye Property Development Company Limited (note2)	Langfang	USD55,000,000	50%	Property development
14	Shanghai Vanke Changning Property Development Company Limited (note1)	Shanghai	RMB30,000,000	49%	Property development
15	Shanghai Chongwan Property Development Company Limited (note1)	Shanghai	RMB265,000,000	49%	Property development
16	Shenyang Zhongtie Vanke Langyu Property Development Company Limited (note2)	Shenyang	RMB100,000,000	51%	Property development

20 Interest in associates (continued)

Details of the Group's principal associates at 30 June 2011 are as follows:

No.	*Name of company*	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Principal activities*
17	*Chongqing Wanbin Property Development Company Limited*	*Chongqing*	*RMB40,000,000*	*45%*	*Property development*
18	*Suzhou Kejian Property Development Limited (note1)*	*Nanjing*	*RMB300,000,000*	*49%*	*Property development*
19	*Shenzhen Oriental Xinyue Industry Company Limited*	*Shenzhen*	*RMB36,157,231*	*30%*	*Property development*
20	*Beijing Wukuang Vanke Real Estate Company Limited*	*Beijing*	*RMB50,000,000*	*49%*	*Property development*
21	*Beijing Wuyuan Kesheng Property Development Company Limited*	*Beijing*	*RMB50,000,000*	*49%*	*Property development*

Notes:

(1) Except for the 15% equity interest held directly, the Group also hold 34% effective equity interest in these associates through a jointly controlled entity.

(2) Pursuant to the voting rights in the board of directors, the Group has significant influence in these entities.

Summary financial information on associates:

2011

	Assets	*Liabilities*	*Equity (attribute to parent)*	*Revenue*	*Profit*
100 per cent	29,279,946,817	24,689,378,399	4,590,568,419	550,880,087	52,944,950
Group's effective interest	12,535,648,911	10,976,508,009	1,559,140,902	10,691,008,188	30,061,451

2010

	Assets	*Liabilities*	*Equity (attribute to parent)*	*Revenue*	*Profit*
100 per cent	18,944,068,998	16,041,669,436	2,902,399,562	2,132,331,659	259,959,560
Group's effective interest	7,936,100,353	6,900,224,451	1,035,875,902	6,802,932,796	135,391,172

21 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 30 June 2011are as follows:

No.	Name of company	Place of establishment and operation	Paid in capital	Percentage of interest held by the Group	Principal activities
1	Shanghai Jialai Real Estate Development Company Limited (note 1)	Shanghai	RMB180,000,000	49%	Property development
2	Zhonghang Vanke Company Limited (note 1)	Beijing	RMB3,000,000,000	40%	Property development
3	Dongguan Vanke Property Company limited	Dongguan	RMB10,000,000	50%	Property development
4	Wuhan Vanke Qinganju Property Development Limited (note 1)	Wuhan	RMB100,000,000	30%	Property development
5	Yunnan Vanke City Property Company Limited (note 2)	Kunming	RMB10,000,000	51%	Property development
6	Changsha Lingyu Real Estate Development Company Limited (note 2)	Changsha	RMB100,000,000	60%	Property development
7	Changsha Lingyu Investment Company Limited (note 2)	Changsha	RMB100,000,000	60%	Property development
8	Beijing Zhongliang Vanke Real Estate Development Company Limited	Beijing	RMB800,000,000	50%	Property development
9	Changchun Vanke Xizhigu Real Estate Development Company Limited	Changchun	RMB50,000,000	50%	Property development
10	Shanghai Anhong Real Estate Investment Company Limited (note 2)	Shanghai	RMB5,000,000	65%	Property development
11	Tianjin Diwan Investment Company Limited (note 1)	Tianjin	RMB39,215,700	40%	Property development
12	Hanzhou Xiangge Investment Management Company Limited	Hanzhou	RMB2,000,000	50%	Investment and Comsultation
13	Hangzhou Dongshang Property Development Company Limited	Hangzhou	RMB20,000,000	50%	Property development
14	Beijing Wanxin Investment Development Company	Beijing	RMB740,000,000	50%	Investment
15	Zhuhai Haiyu Property Development Company Limited	Zhuhai	RMB63,800,000	50%	Property development
16	Shenzhen Mingjue Investment Development Company Limited (note1)	Shenzhen	RMB15,000,000	50%	Property development
17	Changchun Vanke Jingcheng Real Estate Development Company Limited (note 1)	Changchun	RMB230,000,000	10%	Property development
18	Tianjin Songke Real Estate Development Company Limited	Tianjin	RMB20,000,00	49%	Property development
19	Beijing Jingtou Vanke Real Estate Development Company Limited	Beijing	RMB10,000,000	50%	Property development
20	Fuyang Yongtong property limited (note1)	Fuyang	RMB10,000,000	20%	Property development
21	Shenzhen Wan Hongjia investment and Development Company Limited (note1)	Shenzhen	RMB1,000,000	44%	Property development
22	Pingdu Vanke Property Development Company Limited (note2)	Qingdao	RMB200,000,000	51%	Property development

Notes:

(1) A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.

(2) The Group is entitled to 50% voting right of the entity as the board of directors are appointed by the Group and the counterpart equally.

21 Interest in jointly controlled entities (continued)

Summary of financial information on jointly controlled entities – Group's effective interest

	30 Jun.2011	*31 Dec.2010*
Non-current assets	1,199,270,552	1,007,854,238
Current assets	13,333,137,531	11,412,122,663
Non-current liabilities	(1,898,968,552)	(1,696,033,060)
Current liabilities	(9,172,213,553)	(7,349,869,821)
Net assets	3,461,225,978	3,374,074,020
Income	248,374,909	736,608,594
Expenses	(270,662,951)	(580,296,720)
Profit for the period	(22,288,042)	156,311,874

22 Other financial assets

	30 Jun.2011	*31 Dec.2010*
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	484,396,206	483,801,709
- Listed in the PRC	4,763,600	4,763,600
	489,159,806	488,565,309

Unlisted equity securities include RMB 400,000,000 share of interest in an unquoted trust plan, which is measured at cost because it does not have a quoted market price in an active market and its fair value cannot be reliably measured.

23 Deferred tax assets / (liabilities)

(a) Deferred tax assets

Deferred tax assets are attributable to the items detailed as follows:

	30 Jun.2011	*31 Dec.2010*
Tax losses	704,309,146	496,291,102
Impairment loss of trade and other receivables	30,923,796	23,576,692
Provision for diminution in value of properties	1,852,014	1,852,014
Accruals for construction costs	184,094,523	164,906,761
Accrual for Land Appreciation Tax	844,235,589	791,527,641
Other temporary differences	169,691,116	165,003,818
	1,935,106,184	1,643,158,028

Deferred tax assets have not been recognised in respect of the following temporary differences:

	30 Jun.2011	*31 Dec.2010*
Tax losses	1,013,662,918	913,360,587
Deductible temporary differences	81,120,889	80,904,533
	1,094,783,807	994,265,120

The tax losses expire between 2011 and 2016. The deductible temporary differences will not expire under the current tax legislation. The above deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

23 Deferred tax assets / (liabilities) (continued)

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the items detailed as follows:

	30 Jun.2011	*31 Dec.2010*
Fair value adjustments arising from business combinations	(1,023,041,591)	(1,043,812,713)
Others	(46,956,614)	(42,291,625)
	(1,069,998,205)	(1,086,104,338)

(c) Movements in deferred taxation, net:

	30 Jun.2011	*31 Dec.2010*
At 1 January	557,053,690	44,380,693
Transferred to consolidated income statement (note 12(a))	308,054,289	484,369,980
Recognised in other comprehensive income (note 13(a))	-	28,303,017
At balance sheet date	865,107,979	557,053,690

24 Inventories

	30 Jun.2011	*31 Dec.2010*
Raw materials	45,885,306	93,090,534
Inventories recognised as cost of sales for the period	-	14,611,519

25 Properties held for development, properties under development and completed properties for sale

(a) The analysis of carrying value of land held for property development for sale is as follows:

	30 Jun.2011	*31 Dec.2010*
With lease term of 50 years or more	81,558,746,067	74,120,183,049
With lease term of less than 50 years	9,714,303,041	8,117,186,497
	91,273,049,108	82,237,369,546

25 Properties held for development, properties under development and completed properties for sale (continued)

(b) The analysis of the amount of completed properties for sale recognised as an expense is as follows:

	30 Jun. 2011	*31 Dec. 2010*
Carrying amount of properties sold	10,708,754,582	29,629,562,621
Reversal of write-down of properties	-	616,667,200
	10,708,754,582	30,246,229,821

The reversal of write-down of properties made in prior years arose due to an increase in the estimated net realisable value of certain completed properties as a result of recovery in certain regional property markets.

26 Trade and other receivables

	30 Jun. 2011	*31 Dec. 2010*
Debtors and other receivables	10,146,089,419	10,438,706,738
Less: allowance for doubtful debts	(262,802,802)	(196,807,448)
	9,883,286,617	10,241,899,290
Amount due from associates and jointly controlled entities	8,515,549,680	6,291,361,109
Less: allowance for doubtful debts	(1,401,033)	(922,620)
	8,514,148,647	6,290,438,489
Prepaid taxes	9,185,555,192	4,900,760,138
Deposits and prepayments	10,041,925,214	12,937,243,327
	37,624,915,670	34,370,341,244

Note: Deposits and prepayments represent deposits paid for purchasing properties held for development and prepayments to contractors for constructions.

The Group’s credit policy is set out in note 38(b).

All of the trade and other receivables, apart from deposits of RMB889million (2010: RMB693million), are expected to be recovered within one year.

Deposits and prepayments mainly represent tendering deposits for acquisitions of land and prepayment for land and development costs of projects undertaken by the Group.

26 Trade and other receivables (continued)

Impairment of trade debtors and other receivables

Impairment losses in respect of trade debtors and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movements in the allowance for specific doubtful debts during the year are as follows:

	30 Jun. 2011	*31 Dec. 2010*
At 1 January	197,730,068	164,299,563
Impairment loss recognized	68,438,617	71,216,196
Uncollectible amounts written off	(1,964,850)	(37,785,691)
At 30 June	264,203,835	197,730,068

At 30 June 2011, the Group's trade debtors and other receivables of RMB264 million, (2010: RMB198 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB264 million (2010: RMB198 million) were recognised. The Group does not hold any collateral over these balances.

Trade debtors and other receivables that are not impaired

The ageing analysis of trade debtors and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	30 Jun. 2011	*31 Dec. 2010*
Neither past due nor impaired	15,095,110,534	14,703,122,236
Less than 1 year past due	3,302,324,730	1,829,215,543
	18,397,435,264	16,532,337,779

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27 Cash and cash equivalents and pledged deposits

	30 Jun. 2011	*31 Dec. 2010*
- Cash in hand	805,166,005	1,993,017
- Deposits at banks	39,967,225,331	37,809,601,086
- Other cash equivalents	7,077,198	5,338,809
	40,779,468,534	37,816,932,912

Cash and cash equivalents and pledged deposits consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB 2,720 million (2009: RMB 999 million) and RMB 374 million (2009: RMB 403 million) unused proceeds raised in prior year share allotment with restriction for designated purposes.

28 Share capital

	30 Jun. 2011		*31 Dec. 2010*	
	Number of shares	*Nominal value*	*Number of shares*	*Nominal value*
Registered, issued and fully paid:				
A shares of RMB1 each	9,680,254,750	9,680,254,750	9,680,254,750	9,680,254,750
B shares of RMB1 each	1,314,955,468	1,314,955,468	1,314,955,468	1,314,955,468
	10,995,210,218	10,995,210,218	10,995,210,218	10,995,210,218

The holders of A and B share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

A summary of the movements in the Company’s share capital during 2011 is as follows:

	Issued share capital		
	A shares	*B shares*	*Total*
At 1 January 2011	9,680,254,750	1,314,955,468	10,995,210,218
At 30 June 2011	9,680,254,750	1,314,955,468	10,995,210,218

There were no movements in share capital during 2011.

29 Reserves

(a) Statutory reserves

Statutory reserves include the following items:

(i) Statutory surplus reserve

According to the PRC Company Law, the Company is required to transfer 10% of its profit after taxation, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to equity shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the period ended 30 June 2011, the Company transferred RMB nil (2010: RMB308,310,815), being 10% of the Company's current year's net profit as determined in according with the PRC Accounting Rules and Regulations, to this reserve.

(ii) Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

For the six months ended 30 June 2011, the directors proposed to transfer RMB nil (2010: RMB1,541,554,007), being nil (2010: 50%) of the Company's current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(b) Employee share-based compensation reserve

Employee share-based compensation reserve comprises the fair value of the shares awarded under the Employees' share award scheme (see note 34) to the employees of the Company recognised in accordance with the accounting policy adopted for equity compensation benefits as stated in note 3(o)(ii).

During the reporting period ended 30 June 2011, equity-based employee benefits of RMB 26,081,585 were charged to the consolidated income statement and with the corresponding amount credited to the reserve, which was related to the 2011 Scheme.

29 Reserves (continued)

(c) Revaluation reserve

Revaluation reserve comprises the cumulative net change in fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy as stated in note 3(c)(i).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing its properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions, inclusive latest market trend, land price, cash flow and profit forecasts. In order to maintain a sound capital position, the Group may adjust the amount of dividends payable to shareholders, issue new shares, issue bonds or raise new debt financing.

30 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing borrowings and bonds. For more information about the Group's exposure to interest rate and foreign exchange risks, please refer to note 39.

	30 Jun. 2011	*31 Dec. 2010*
Non-current		
Secured or guaranteed		
- bank loans (note (a))	4,917,062,375	4,926,229,291
- corporate bonds (note (b))	2,948,601,416	2,937,122,406
- other borrowings(note(c))	8,279,631,667	1,600,000,000
	16,145,295,458	9,463,351,697
Unsecured		
- bank loans (note (a))	8,741,074,208	11,746,440,000
- corporate bonds (note (b))	2,886,931,285	2,884,022,101
- other borrowings (note (c))	2,000,000,000	6,517,830,000
	13,628,005,493	21,148,292,101
	29,773,300,951	30,611,643,798

At 30 June, non-current interest-bearing borrowings and bonds were repayable as follows:

	30 Jun. 2011	*31 Dec. 2010*
After 1 year but within 2 years	16,477,180,550	19,850,291,042
After 2 years but within 5 years	13,296,120,401	10,761,352,756
	29,773,300,951	30,611,643,798

30 Interest-bearing borrowings and bonds (continued)

	30 Jun. 2011	*31 Dec. 2010*
Current		
Secured or guaranteed		
- bank loans (note (a))	-	80,000,000
- current portion of long term bank loans (note (a))	2,196,063,713	1,395,690,787
	2,196,063,713	1,475,690,787
Unsecured		
- bank loans (note (a))	1,509,200,000	1,300,000,000
- entrusted bank loan from jointly controlled entity(note (a))	98,000,000	98,000,000
- current portion of long term bank loans (note (a))	9,718,000,000	3,710,000,000
- current portion of long term other borrowings (note (c))	9,517,830,000	10,200,000,000
	20,843,030,000	15,308,000,000
	23,039,093,713	16,783,690,787

Notes:

(a) Bank loans

The secured or guaranteed bank loans of RMB1,271 million as at 30 June 2011(2010: RMB6,402 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB4,472 million (2010: RMB1,076 million), the Group's interests in certain subsidiaries.

The secured or guaranteed bank loans of RMB42 million as at 30 June 2011(2010: RMB nil) are secured over certain property, plant and equipment with aggregate carrying value of RMB243 million (2010: RMB nil), the Group's interests in certain subsidiaries.

The interest rate of bank loans ranges from 4.86% to 8.33% in 2011 (2010: from 4.86% to 10.20%).

(b) Corporate bonds

	2011	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,884,022,101	2,937,122,406
Transaction costs amortised	2,909,184	11,479,010
Carrying value at 30 June	2,886,931,285	2,948,601,416

30 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(b) Corporate bonds (continued)

	2010	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,878,507,630	2,915,228,176
Transaction costs amortised	5,514,471	21,894,230
Carrying value at 31 December	2,884,022,101	2,937,122,406

In September 2008, the Company issued two series of corporate bonds, namely the "No. 101688 Bonds" and the "No. 101699 Bonds", amounting to RMB5,900 million. Both Bonds are listed on the Shenzhen Stock Exchange.

The No. 101688 Bonds are with no guarantee and are interests bearing at a rate of 7% per annum payable in arrears on 6 September 2009, 2010 and 2011. In accordance with the terms of the No. 101688 Bonds, on 6 September 2011 the Company has the option to adjust upward the interest rate of the Bonds for the next two years by 0-100 points and each of the Bond is, at the option of the bondholder, redeemable at its par value of RMB 100 each on the same date. If not being redeemed on 6 September 2011, the Bonds are repayable on 6 September 2013 and the interest for the next two years is payable in arrear on 6 September 2012 and 2013.

The No. 101699 Bonds are guaranteed by the China Construction Bank Shenzhen branch and are repayable on 6 September 2013. The Bonds are interest bearing at a rate of 5.5% per annum payable in arrears on 6 September 2009, 2010, 2011, 2012 and 2013.

(c) Other borrowings

	30 Jun. 2011	*31 Dec. 2010*
Non-current		
Proceeds	10,590,400,000	8,117,830,000
Transaction costs	(310,768,333)	-
	10,279,631,667	8,117,830,000
Current portion of long term other borrowings		
Proceeds	9,517,830,000	10,200,000,000

30 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(c) Other borrowings (continued)

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rate. The interest rate of these borrowings ranges from5.76% to 11.80% in 2011 (2010: 5.04% to 10.05%).

31 Other non-current liabilities

Other non-current liabilities mainly represent the amounts that hold on behalf of the owners committees in the property management sector.

32 Trade and other payables

	30 Jun.2011	*31 Dec.2010*
Trade payable	18,435,021,487	16,923,777,819
Amounts due to associates and jointly controlled entities	3,048,901,244	2,148,384,968
Deposits received in advance	107,073,555,083	74,405,197,319
Other payables and accrued expenses	14,980,277,683	12,348,724,974
Other taxes	142,239,065	312,259,601
Total	143,679,994,562	106,138,344,681

33 Provisions

	30 Jun.2011	*31 Dec.2010*
Balance at 1 January	41,107,323	34,355,815
Provisions made during the six months period	18,818,680	14,351,190
Provisions used during the six months period	(14,488,257)	(7,599,682)
Balance at 30 June	45,437,746	41,107,323

The balance represents the estimated losses to be borne by the Group in relation to the property management projects.

34 Employees' share award scheme

1) Background of the Scheme

Total number of shares granted during the reporting period	108,435,000
Total number of shares exercised during the reporting period	-
Total number of shares forfeited during the reporting period	-
The range of exercise price and remaining contractual life of the share options outstanding at the end of the reporting period	At 30 June 2011, the exercise price of the share options outstanding was RMB8.79 per share, and their remaining contractual life was 4 years and 10 months.
The range of exercise price and remaining contractual life of other equity instruments outstanding at the end of the reporting period	At 30 June 2011, no other equity instruments for Group.

On 18 April 2011, the board of directors of Group has passed the proposal related to grant A-share share options incentive plan, and confirmed the grant date of this A-share share options incentive plan ("incentive plan") as at 25 April 2011. The Group granted total of 108.435 million share options representing 0.9862% of the total number of shares with the total fair value assessed as RMB 279.09 million. The first year after the date of grant was waiting period which should not be exercised. Then the share options will be granted in three exercise periods, and the number of share options available for exercising in the first, second and third exercise period were 40%, 30% and 30% of the total share options granted. At 30 June 2011, the number of 2,800,500 share options has forfeited as the demission of employees, and the fair value of the outstanding inventive plan has been adjusted respectively.

2) Share-base payment by equity-settled

The model for share options fair value on grant date	Black-Scholes option pricing model
The assumption for the number of outstanding share options available for exercising	Assumptions based on the number of of outstanding share options available for exercising on the balance sheet date and the percentage of employees demission in the reporting period.
The reason of significant difference in this reporting period compared with last reporting period	Not applicable
The accumulated amount in reserves for share-base payment by equity-settled	RMB 26,081,585
The accumulated amount in expenses for share-base payment by equity-settled	RMB 26,081,585

34 Employees' share award scheme (continued)

2) Share-base payment by equity-settled (continued)

On each balance sheet date during waiting period, the share-based expense related to share options is recognized as administrate expenses and reserves by the requisite service from incentive employees according to the fair value of share options on grant date which is based on the assumption for the number of outstanding share options available for exercising. The recognised administrate expenses and reserves will be not adjusted during the exercising period. The reserves are recognised according to the outstanding share options available for exercising on each balance sheet date. In this reporting period, the cost of incentive plan has been amortised of RMB 26.08 million in administrate expenses and increased the reserves as the same amount accordingly.

3) Share-base payment by cash-settled

No Share-base payment by cash-settled in the reporting period.

4) Share-base payment on service

No Share-base payment on service in the reporting period.

5) The changes and termination of share-base payment

No changes and termination of share-base payment in the reporting period.

35 Material related party transactions

(a) Reference should be made to the following notes regarding related parties:

Associates	(note 20, 26 & 32)
Jointly controlled entities	(note 21, 26 & 32)
Key management personnel	(see note (b) below)
Post-employment benefit plans	(note 10)

(b) Key management personnel compensations

The key management personnel compensations are as follows:

	2011 Jan. – Jun.	*2010 Jan. – Jun.*
Short-term employee benefits	5,858,819	5,310,268

The above compensations are included in "personnel expenses" (see note 10).

The Group also provides non-monetary employee benefits to the key management personnel in the form of purchase discount on sale of the Group's properties to them. Details of such transactions are as follows:

	2011 Jan. – Jun.	*2010 Jan. – Jun.*
Sales of properties to the key management personnel	4,643,958	5,132,112
Related cost of sales	(2,502,935)	(2,621,867)
Gross profit	2,141,023	2,510,245
Estimated fair value of the properties sold to the key management personnel	4,643,958	5,132,112

All the above were approved by the Board of Directors as a kind of employment benefits to the key management personnel.

In 2010 the Group launched the Excellence Bonus Plan (the "Plan") as a supplement to the existing employee remuneration system. The bonus amount attributable to each year is determined by reference to the key performance indicator of Economic Value Added in the corresponding year.

36 Commitments

(a) Commitments outstanding at 30 June not provided for in the financial statements were as follows:

	30 Jun. 2011	*31 Dec. 2010*
Construction and development contracts	38,415,227,492	19,939,290,788
Land agreements	15,252,503,794	19,829,659,037
	53,667,731,286	39,768,949,825

Commitments mainly related to land and development costs for the Group's properties under development.

(b) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 Jun. 2011	*31 Dec. 2010*
Within 1 year	29,969,580	24,570,464
After 1 year but within 2 years	27,821,110	20,546,767
After 2 year but within 5 years	35,156,737	32,852,954
	92,947,427	77,970,185

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to ten years. None of the leases includes contingent rentals. During the period, the operating lease expense of the Group amounted to RMB43 million (2010: RMB68 million).

37 Contingent liabilities

As at the balance sheet date, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB26,857 million (2010: RMB20,299 million), including guarantees of RMB26,754 million (2010: RMB20,184 million) which will be terminated upon the completion of the transfer procedures with the buyers in respect of the legal title of the properties, and guarantees of RMB103 million (2010: RMB115 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

The directors do not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

38 Financial risk management

Exposure to interest rate, credit, liquidity, currency risks and equity price risk arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings and bonds. Borrowings and bonds issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and terms of repayment of bank loans, borrowings and bonds of the Group are disclosed in note 31 to the financial statements.

At 30 June 2011, it is estimated that a general increase of 0.5% in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately RMB23 million (2010: RMB14 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and other financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables and other financial assets, the Group reviews the exposures and closely monitors the recoverability of the balances on an ongoing basis. Normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

38 Financial risk management (continued)

(c) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2011-06-30				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Loans and borrowings	52,812,394,664	58,107,827,058	26,076,040,302	18,251,026,842	13,780,759,913
Creditors and accrued charges	33,557,538,235	33,557,538,235	33,557,538,235	-	-
Amounts due to jointly controlled entities and associates	3,048,901,244	3,048,901,244	3,048,901,244	-	-
Other non-current liabilities	385,313,713	385,313,713	374,759,203	-	10,554,510

	2010-12-31				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Loans and borrowings	47,395,334,585	51,864,254,960	19,066,509,124	21,491,838,083	11,305,907,753
Creditors and accrued charges	29,584,762,394	29,584,762,394	29,584,762,394	-	-
Amounts due to jointly controlled entities and associates	2,148,384,968	2,148,384,968	2,148,384,968	-	-
Other non-current liabilities	8,816,121	8,816,121	-	-	8,816,121

(d) Foreign exchange risk

The Group is exposed to foreign currency risk primarily on borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

Cash and cash equivalents denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun. 2011	*31 Dec. 2010*
United States Dollars	280,344,566	282,659,984
Hong Kong Dollars	14,445,801	15,734,761
Japanese Yen	12,345,200	192,437,536

Interest-bearing borrowings denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun. 2011	*31 Dec. 2010*
United States Dollars	4,979,487,198	4,530,407,777

38 Financial risk management (continued)

(d) Foreign exchange risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

		30 Jun.2011		*31 Dec.2010*	
	Increase / (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits*	*Effect on other components of equity*	*Effect on profit after tax and retained profits*	*Effect on other components of equity*
United States Dollars	10%	352,435,697	352,185,503	318,581,085	318,397,848
United States Dollars	(10%)	(352,435,697)	(352,185,503)	(318,581,085)	(318,397,848)
Hong Kong Dollars	10%	(1,083,435)	(390,087,393)	(1,180,107)	(376,740,966)
Hong Kong Dollars	(10%)	1,083,435	390,087,393	1,180,107	376,740,966
JPY	10%	(925,890)	-	(14,432,815)	-
JPY	(10%)	925,890	-	14,432,815	-

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(e) Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of the financial position, are as follows:

30 June 2011 *In millions of RMB*	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	37,625	-	-	37,625	37,625
Cash and cash equivalents and pledged deposits	-	40,779	-	-	40,779	40,779
Other financial assets	-	-	489	-	489	489
Other non-current assets	-	1,056	-	-	1,056	1,056
	-	79,460	489	-	79, 949	79, 949
Loans and borrowings	-	-	-	(52,812)	(52,812)	(52,812)
Financial derivatives	(11)	-	-	-	(11)	(11)
Trade and other payables	-	-	-	(143,680)	(143,680)	(143,680)
	(11)	-	-	(196,492)	(196,503)	(196,503)

38 Financial risk management (continued)

(e) Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

31 December 2010 *In millions of RMB*	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	34,370	-	-	34, 370	34, 370
Cash and cash equivalents and pledged deposits	-	37,817	-	-	37,817	37,817
Other financial assets	-	-	489	-	489	489
Other non-current assets	-	1,056	-	-	1,056	1,056
	-	73,243	489	-	73,732	73, 732
Loans and borrowings	-	-	-	(47,395)	(47,395)	(47,395)
Financial derivatives	(15)	-	-	-	(15)	(15)
Trade and other payables	-	-	-	(106,138)	(106,138)	(106,138)
	(15)	-	-	(153,533)	(153,548)	(153,548)

Fair values hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

30 June 2011 *In millions of RMB*	Level 1	Level 2	Level 3	Total
Financial derivatives	(11)	-	-	(11)

31 December 2010 *In millions of RMB*	Level 1	Level 2	Level 3	Total
Financial derivatives	(15)	-	-	(15)

39 Non-adjusting post balance sheet events

The Xianghe Huanqing City project was acquired through the open market in September 2010, and was developed by Langfang Wan Heng Sheng Ye Real Estate Development Co., Ltd., which was a wholly-owned subsidiary of the Group. As at June 30th 2011, the book value of the project was RMB 218million, and the consideration of land use right was totally paid off. As the local government had violated the laws in the transfer process of the land use right, the government rectified its mistakes and decided to rescind the transfer of the land use right after the reporting period, and to make compensation to the Group to protect the legal interest. This event will not have significant impact on the consolidated income statement of the Group.

40 Comparative figures

Certain comparative figures have been reclassified to conform with the current periods' presentation.

41 Accounting estimates and judgments

Key sources of estimation uncertainty

(i) Impairment provision for properties held for development, properties under development and completed properties for sale

As explained in notes 3(j) and 3(k), the Group's properties held for development, properties under development and completed properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties held for development and properties under development, and the costs to be incurred in selling the properties. Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Land appreciation tax

As explained in note 12(a), land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in estimates would affect profit or loss in future years.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2011

Up to date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2011 and which have not been adopted in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures* - *Transfers of financial assets*	1 July 2011
IFRS 9, *Financial Instruments*	1 January 2013