China Vanke Co., Ltd.
2012 Interim Report
(For the six months ended 30 June 2012)

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 Xiao Li, Independent Director Qi Daqing, Independent Director Zhang Liping, Independent Director Hua Sheng 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 and Director Sun Jianyi were not able to attend the board meeting in person due to their business engagements and had authorised Director Xiao Li to represent them and vote on behalf of them at the board meeting. Independent Director Paul Chan Mo Po 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.

This Report is edited in Chinese and English, should there be any differences in understanding between the two versions(except the differences due to the discrepancy between PRC accounting regulations and IFRS), please refer to the Chinese one.

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

(1) Major Financial Indicators（Unit: RMB’000）

Financial Indicators	Jan.-Jun. 2012	Jan.-Jun. 2011	Change（+/-）
Revenue	**28,959,560**	**18,886,966**	**53%**
Profit from operating activities	7,928,844	6,376,643	24%
Share of profits less losses of associates and jointly controlled entities	422,520	7,773	5336%
Profit before income tax	7,562,983	5,866,824	29%
Income tax expense	(3,027,505)	(2,614,306)	16%
Profit for the period	4,535,478	3,252,518	39%
Profit attributed to minority	810,393	274,663	195%
Profit attributable to equity shareholders of the Company	**3,725,085**	**2,977,855**	**25%**
Basic earnings per share	**0.34**	**0.27**	**26%**
Diluted earnings per share	0.34	0.27	26%

(2) Impact of IFRS Adjustments on Net Profit (Unit: RMB'000)

Items	Net profit attributable to equity shareholders of the Company
As determined pursuant to PRC accounting standards	3,725,085
As restated in conformity with IFRS	3,725,085

II. Change in Share Capital and Shareholdings of Major Shareholders

1. Change in Share Capital (as at 30 June 2012)

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	18,426,384	0.17%	-207,664	18,218,720	0.17%
4. Shares held by foreign investors					
Total number of restricted shares	**18,426,384**	**0.17%**	**-207,664**	**18,218,720**	**0.17%**
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,661,828,366	87.87%	+207,664	9,662,036,030	87.87%
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	**10,976,783,834**	**99.83%**	**+207,664**	**10,976,991,498**	**99.83%**
III. Total Number of Shares	**10,995,210,218**	**100.00%**	**0**	**10,995,210,218**	**100.00%**

Note: There were changes in the senior management staff of the Company in 2011. The trading restriction on the restricted shares held by these senior management staff would be lifted after 6 months of their departure. As a result, the number of restricted shares and non-restricted shares of the Company changed accordingly during the reporting period.

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 2012)

Unit: Share

Total number of shareholders	842,855 (including 821,317 holders of A shares and 21,538 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
Bank of China - E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Others	1.36%	149,102,263	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
China Construction Bank - Bosera Theme Industry Stock Securities Investment Fund	Others	0.92%	100,731,921	0	0
Industrial and Commercial Bank of China -Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.90%	99,254,225	0	0
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign shareholder	0.78%	85,850,401	0	0

Bank of China - Harvest Thematic Fund	Others	0.70%	76,999,387	0	0
MORGAN STANLEY & CO. INTERNATIONAL PLC	Others	0.70%	76,864,430	0	0
UBS AG	Others	0.67%	74,183,257	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)
Bank of China - E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	149,102,263	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
China Construction Bank-Bosera Theme Industry Stock Securities Investment Fund	100,731,921	Ordinary RMB-denominated shares (A shares)
Industrial and Commercial Bank of China -Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	99,254,225	Ordinary RMB-denominated shares (A shares)
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	85,850,401	Domestic listed foreign shares (B shares)
Bank of China - Harvest Thematic Fund	76,999,387	Ordinary RMB-denominated shares (A shares)
MORGAN STANLEY & CO. INTERNATIONAL PLC	76,864,430	Ordinary RMB-denominated shares (A shares)
UBS AG	74,183,257	Ordinary RMB-denominated shares (A 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	It is not known as to whether there are 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. Bondholdings of the Company's top 10 bondholders (as at 30 June 2012)

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

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	924,010
8	Haitong-BOC-Futong Bank	897,256
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 Limited – Traditional – General Insurance Products" and China Life Pension Company Limited, which manages "China Life Pension Company Limited – Internal Resources", are subsidiaries of China Life Insurance Company Limited. 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	CMB－E Fund Pure Bond Fund	1,933,383

2	Industrial Bank Co., Ltd.－Tianhong Yongli Bond Fund	1,237,927
3	ICBC – Harvest Stable Earning Bond Securities Investment Fund	1,016,978
4	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients	889,101
5	National Social Security Fund – Portfolio 801	849,518
6	CCB －Penghua Harvest Bond Fund	613,644
7	CMB －China AMC Classic Allocation Hybrid Fund	550,000
8	ICBC－China Universal Capital Preservation Fund	500,000
9	ABC －ICBC Credit Suisse Four Seasons Income Bond Fund	480,842
10	CCB －Penghua Fengrun Bond Fund	480,000

Note: "ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients" and "ABC －ICBC Credit Suisse Four Seasons Income Bond Fund" are managed by ICBC Credit Suisse Asset Management Co., Ltd.; "National Social Security Fund – Portfolio 801" and "CMB －China AMC Classic Allocation Hybrid Fund" are managed by China Asset Management Co., Ltd.; "CCB －Penghua Harvest Bond Fund" and "CCB －Penghua Fengrun Bond Fund" are managed by Penghua Fund 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 bondholders.

4. Change of controlling shareholders and beneficial controllers

There were neither controlling shareholders nor beneficial controllers in the Company, and this situation remained the same during the period under review.

III. Directors, Members of Supervisory Committee and Senior Management

1. Changes in the shareholdings of directors, members of Supervisory Committee and senior management during the period under review

Unit: Share

Name	Capacity	Number of shares held at the beginning of 2012	Number of shares held as at 30 June 2012	Number of share options granted	Number of share options exerciseable as at the date of announcement of the report	Number of share options exercised as at the date of announcement of the report
Wang Shi	Chairman	6,817,201	6,817,201	6,600,000	2,640,000	0
Yu Liang	Director, President	4,106,245	4,106,245	5,500,000	2,200,000	0
Ding Fuyuan	Chairman of 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	2,200,000	880,000	0
Xie Dong	Executive Vice President	1,487,660	1,487,660	2,200,000	880,000	0
Zhang Jiwen	Executive Vice President	1,548,950	1,548,950	2,200,000	880,000	0
Mo Jun	Executive Vice President	1,548,950	1,548,950	2,200,000	880,000	0
Xiao Li	Director, Executive Vice President	1,446,849	1,446,849	2,200,000	880,000	0
Wang Wenjin	Executive Vice President	1,343,591	1,343,591	2,200,000	880,000	0
Du Jing	Executive Vice President	735,812	735,812	2,100,000	840,000	0
Zhou Weijun	Executive Vice President	1,038,065	1,038,065	2,000,000	800,000	0
Mao Daqing	Executive Vice President	0	0	2,000,000	800,000	0
Tan Huajie	Secretary to the Board	0	0	1,600,000	640,000	0
Zhou Qingping	Member of 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. Change of Directors, members of the Supervisory Committee and senior management of the Company during the reporting period

There was no change in Directors, members of the Supervisory Committee and senior management of the Company during the reporting period.

After the reporting period, Mr Du Jing resigned from the Company as executive vice president; Mr. Paul Chan Mo Po resiged from the Company as independent director. In accordance with the relevant laws, regulations, and Articles of Association, Mr Chan will continue to perform his duties until a succeeding independent director is appointed.

IV. Directors' Report

1. Management Discussion and Analysis

Changes in market environment and the Company's judgement

Sales area of commodity housing in China saw negative growth during the reporting period when compared with the corresponding period last year. It decreased by 15.5% year on year in the first quarter of 2012, and reduced by 11.2% year on year during the first half of the year. Volatile trading was seen in major cities. From January to February 2012, transaction volume in 14 cities including Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi and Suzhou fell to its lowest level since 2007. The area of commodity housing sold in these 14 cities dropped by 55.1% as compared with the same period last year. Since March, improvement in the credit conditions for first-time home buyers, demand driven by price adjustment, coupled with the release of the pent-up demand from end users had caused the transaction volume of residential properties in the aforesaid cities to rebound. As the comparative figure of last year was relatively small, the sales area of commodity housing in these cities rose by 57.6% between March and June as compared with the same period last year.

At the beginning of the year, the approved pre-sales area of the 14 abovementioned cities shrank significantly. Between January and February 2012, the approved pre-sales area was only 58.7% of that of the same period last year. The approved pre-sales area rose during the March-June period to the same level as the corresponding period in 2011. In the first half of the year, the approved pre-sales area of these 14 cities dropped by 6.7% year on year. As supply dropped, these cities were close to balancing their new housing supply and sales area. The three-month moving average of the sales area to pre-sales area ratio (sales area of commodity housing to approved pre-sales area of new housing) rose from 0.61 at the beginning of the year to approximately 1 in the second quarter. This, to a certain extent, has eased the rising inventory pressure since the beginning of 2011. As at the end of June 2012, the housing inventory (commodity housing that had been granted sales approval but had not been sold) in these 14 cities had an aggregate area of approximately 114 million sq m, representing a slight increase of 1.8% as compared to the beginning of the year, and the time to clear housing inventory (based on the calculation of the moving average of sales area in the last 3 months) dropped from the highest months-to-clear of 21.7 months as at the end of February to 10.5 months.

According to the statistics from the People's Bank of China, China's property loan for the first half of the year increased by RMB565.3 billion, which was RMB227.1 billion less than the increased amount for the same period last year. The increase in property loan accounted for 12.3% of the total increments of various loans during the period. When compared with 17.5% in 2011, it showed a substantial decrease. The financing situation of the property market remained gloomy.

Although sales proceeds improved in the second quarter, they only helped strengthen enterprises' debt repayment ability. Moreover, as substantial improvement in the tight credit conditions in the market had yet to to be seen, the problems of construction and weakened investment ability remained unsolved. The floor area commencing construction of residential housing across China continued to shrink. Following a 5.2% year-on-year decrease in the first quarter, it further dropped by 14.5% in the second quarter as compared to the same period last year. Although investment in residential property development continued to rise, affected by the delay in the availability of real-time statistics, the growth rate had significantly dropped from 19.0% in the first quarter to 8.5% in the second quarter. Up till now, measures that would encourage and support the development of ordinary commodity housing, and increase the supply of ordinary commodity housing are yet to explore. The risk of insufficient new housing supply for the coming year continues to rise.

With the changes in the international and domestic economic environments, the government gradually shifted the focus of its macroeconomic policies to stable growth during the reporting period. However, tight austerity measures on property market were still in place. With the government's unwavering determination in implementing its austerity measures, investment-driven property demand continued to be suppressed. Residential property is gradually returning to its original function as dwelling. Enterprises can be in a better position to cope with market changes only by following policy direction and industry changes, maintaining reasonable product positioning and enhancing operation efficiency and management skills.

During the first half of the year, 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 sold dropped by approximately 17% when compared with the same period last year. Entering the second quarter, affected by the rise in the number of transactions in certain cities, auctions of some favourite property sites had drawn heated bidding. The situation where land sold at premium price had increased. Nevertheless, the overall sentiment of the land market was still sluggish. Although the number of failed auctions had dropped, it still remained high. The area of land sold continued to shrink, reducing by 22% year on year in the second quarter. The land market in general had not shown any significant improvement It is expected that land supply will increase in the second half of the year, and enterprises with greater capital strength will be able to seize more opportunities.

The Company's operation and management

During the reporting period, the Company continued its focus on mainstream market and actively promoted sales. As the majority of the Company's new projects will be launched in the second half of the year, especially in the fourth quarter, new projects launched in the first half of the year were significantly lower than that of the same period last year. Nevertheless, through a reasonable sales strategy, the Company was able to achieve growth in sales area, while recording a sales amount higher than the value of newly launched projects. From January to June, the Company realised an accumulative sales area of 6,025,000 sq m, a 6.5% increase year on year, with a sales amount of RMB62.54 billion, representing a decrease of 4.7% year on year. Should there be no material adverse changes in the market and with more new projects put on sale after September, it is expected that the Company will achieve greater sales in the second half of the year than the first half of the year and sales for the full year may exceed that of 2011.

By geographical segment, the Company realised a sales area of 1,878,000 sq m and a sales amount of RMB20.32 billion in Pearl River Delta focused Guangshen Region; a sales area of 1,093,000 sq m and a sales amount of RMB13.33 billion in Yangtze River Delta focused Shanghai Region; a sales area of 1,711,000 sq m and a sales amount of RMB17.39 billion in Bohai-rim focused Beijing Region; a sales area of 1,343,000 sq m and a sales amount of RMB11.50 billion in Chengdu Region, which comprises core cities of Central and Western Region,during the first half of 2012.

Small and mid-sized ordinary commodity housing continued to make up a majority of the Company's product mix. Residential units with an area under 144 sq m accounted for 89% of all the residential units sold during the first half of the year.

In the first half of the year, the Company realized a booked area of 2,638,000 sq m and booked revenue of RMB28.48 billion, representing increases of 90.7% and 55.1% year-on-year respectively; the Company realized revenue of RMB28.96 billion and a net profit of RMB3.73 billion, representing increases of 53.3% and 25.1% respectively as compared with those of the same period last year.

In the first half of the year, the average booked price of the Company's property business was RMB10,796, representing a year-on-year decrease of 17.5%. The gross margin of the property business stood at 28.1%, down by 5.9 percentage points year on year. The booked net profit margin was 15.0%, down by 2.6

percentage points when compared with the same period last year. Although both the average booked price and profit margins decreased year on year, the Company's return on assets rose slightly. The Company's diluted return on equity for the first haf of the year was 6.8%, which was 0.4 percentage point higher than 6.4% of the same period last year.

As at the end of the reporting period, the Company had an area of 13,920,000 sq m sold but not yet booked stated in the consolidated statements as construction had yet to be completed. The area of 13,920,000 sq m had a contract amount of approximately RMB146.4 billion, representing increases of 28% and 20% as compared with those at the end of 2011 respectively. This would provide a solid foundation for realizing future operating results.

The Company continued to maintain a sound and stable financial structure and a solid cash position. Owing to the increase in advance receipts, the Company's gearing ratio rose by 1.8 percentage points from the beginning of the year to 78.9%. However, as advance receipts will be recognized as revenue upon the recognition of projects, they do not give rise to any real pressure for debt repayment. The Company's net gearing ratio was only22.8%, showing a further decrease from 23.8% at the beginning of the year. As at the end of the reporting period, the cash and cash equivalents held by the Company amounted to RMB45.72 billion, which was much higher than the sum of short-term borrowings and long-term borrowings due within one year of RMB20.31 billion. The capital strength of the Company further increased when compared with the beginning of the year. Given that opportunities for residential development often arise during the adjustment period of the property market and in view of the weakened investment ability within the industry, the Company can leverage its solid cash position to acquire projects on more favourable terms.

As at the end of the reporting period, the Company's inventories included RMB8.49 billion of completed properties (properties ready for sale), accounting for 3.75% of the total.

The Company's planned floor area commencing construction and completed area at the beginning of the year were 13,280,000 sq m and 8,900,000 sq m respectively. As at the end of June, the actual floor area commencing construction and completed floor area were 4,680,000 sq m and 2,440,000 sq m respectively, representing a completion of 35% and 28% of those planned at the beginning of the year. It is expected that the actual floor area commencing construction and completion for the full year will meet the plan set at the beginning of the year respectively. It is expected that the actual floor area commencing construction and completed floor area for the full year will be in line with the targets planned at the beginning of the year.

During the reporting period, despite the drop in the number of land transactions, there was not much change in the land premium. The Company adhered to its stringent investment policies. For the first half of the year, the Company acquired 13 new development projects, with a site area attributable to China Vanke's equity holding of approximately 690,000 sq m (a corresponding planned GFA of approximately 1,740,000 sq m). The average land premium per floor area was approximately RMB2,230 per sq m. In addition, the Company was also involved in one city redevelopment project; according to the current planning, the site area of the part to be developed by China Vanke and the plot ratio GFA thereof was approximately 129,000 sq m and approximately 394,000 sq m respectively. The average composite redevelopment cost and land premium per floor area is estimated to be approximately RMB3,800 per sq m. As at the end of the reporting period, the aggregate GFA of the Company's projects under planning attributable to China Vanke's equity holding amounted to 34,350,000 sq m, which can basically meet its development needs in the coming 2 to 3 years.

In view of the opportunities driven by the increase in land supply in the second half of the year, the Company will strengthen its position in the existing markets and pay close attention to any possible market opportunities with a target at end users. In respect of the decision-making process for project development, the Company's concern remains over the reasonableness of land premium relative to property prices in the surrounding areas and the risk manageability of the project. The Company will not set its profit target based on any overoptimistic expectations.

During the reporting period, the Company adhered to its product and service philosophy of "Building quality housing for ordinary people" and "Building home as a place to live". On the aspect of improving product functionality, the Company will continue to explore and improve ancillary services, with an aim to improve the quality of its customers' properties. In order to better serve customers' daily needs, the Company will push ahead with product innovation and service upgrade. The Company has introduced ancillary services like "Fortune Depot", community food court, self storage facilities and fully furnished units, etc., to offer a safer, more comfortable and convenient community environment.

2. Principal operations of the Company during the reporting period

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

The Company specialises in property development with commodity housing as its major products. During the reporting period, the Company realized a sales area of 6,030,000 sq m representing an increase of 6.5% year-on-year while sales amount was RMB62.5 billion, a decrease of 4.7% as compared with the same period last year. The booked area of the Company for the first half of the year was 2,640,000 sq m, representing an increase of 90.7% when compared with that of the same period last year. The booked revenue amounted to RMB28.48 billion, representing an increase of 55.1% from that of the same period last year.

Due to variation in the completion schedule of different projects,, the completed area from January to June was 2,440,000 sq m, representing 28% of the planned completed area of 8,900,000 sq m for 2012. It is expected that more projects will be completed and booked in the fourth quarter of 2012.

Unit RMB '000

Sector	Revenue		Cost of sales		Gross margin	
	Amount	Change	Amount	Change	Value	Change
Property sales	28,483,487	55.04%	18,955,934	76.91%	28.05%	-5.9 percentage point
Property management and others	476,073	-7.60%	341,451	20.24%	28.28%	-16.6 percentage point
Total	**28,959,560**	**53.33%**	**19,297,385**	**75.45%**	**28.06%**	**-6.2 percentage point**

Note: Land appreciation tax had been deducted f in calculating gross profit margin

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

Unit: RMB '000

Item	30-Jun-2012	31-Dec-2011	Change (+/-)	Reasons for change
Cash and cash equivalents	45,719,728	33,614,112	36.01%	Active sales and prudent investment
Loans and borrowings (Non current)	42,605,550	26,822,359	58.84%	Change in debt structure

Item	Jan-Jun 2012	Jan-Jun 2011	Change (+/-)	Reasons for change
Revenue	28,959,560	18,886,966	53.33%	Increase in booked sales
Cost of sales	19,297,385	10,998,932	75.45%	Increase in booked area
Distribution cost	1,238,382	956,748	29.44%	To maintain reasonable growth following the trend of austerity measures

（3）The Company's core business by region

Region	Revenue from core businesses (RMB'000)	Percentage	Net profit（RMB'000）	Percentage	BookedArea（sq m）	Percentage
Guangshen Region	8,097,855	28.42%	1,658,682	38.73%	714,339	27.09%
Shanghai Region	7,736,115	27.16%	745,193	17.40%	599,105	22.71%
Beijing Region	6,739,193	23.66%	1,085,250	25.34%	585,796	22.21%
Chengdu Region	5,910,324	20.75%	793,491	18.53%	738,367	27.99%
Total	28,483,487	**100%**	**4,282,617**	**100%**	**2,637,607**	**100%**

Note. During the reporting period, the cities in which the Company had booked projects included Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Sanya, Huizhou, Qingyuan in Guangshen region; Shanghai, Hangzhou, Suzhou, Wuxi, Nanjing, Zhenjiang, Ningbo, Nanchang in Shanghai region; Beijing, Tianjin, Shenyang, Anshan, Dalian, Changchun, Qingdao in Beijing region, and Chengdu, Chongqing, Wuhan, Xi'an, Guiyang in Chengdu region.

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).

The aforesaid proceeds were used to invest in 11 projects. Details on the investment amount, investment gain, development progress of the projects as of 30 June 2012 are as follows:

Unit: RMB '000

Total amount of proceeds	9,936,600			Funds used for investment during the reporting period			13,120	
Amount of proceeds with changed usage	0			Accumulated funds used			9,829,930	
Percentage of proceeds with changed usage	0%							
Investment projects	Is there any change in project	Planned investment	Funds used for investment during the reporting period	Accumulated funds used during the reporting period	Investment progress	Accumulated realized income	Does it achieve estimated income	Significant change in feasibility
Everest Town (former Science City H3 Project), Guangzhou	No	600,000		600,000	100%	144,520	Yes	No
The Paradiso (former Jinshazhou Project), Guangzhou	No	800,000		800,000	100%	458,130	Yes	No
The Dream Town (former Nanzhuang Project), Foshan	No	900,000		900,000	100%	517,580	Yes	No
Zhuhai Hotel Project, Xiangzhou District, Zhuhai	No	650,000		650,000	100%	734,370	Yes	No
West Spring Butterfly Garden (former Jiangcun Project), Hangzhou	No	700,000		700,000	100%	1,136,580	Yes	No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000		1,700,000	100%	401,660	Yes	No
Golden Town Project, Yinzhou District, Ningbo	No	1,636,600		1,636,600	100%	904,580	Yes	No
Wujiefang Project, Pudong, Shanghai	No	1,200,000		1,200,000	100%	-	Yes	No
Jinse Yazhu (former Zhonglin Project), Shanghai	No	700,000		700,000	100%	263,970	Yes	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	13,120	543,330	84%	-	Yes	No
Stratford (former Huangjiayu Project), Nanjing	No	400,000		400,000	100%	45,070	No	No
Total	No	**9,936,600**	**13,120**	**9,829,930**	**99%**	**4,606,460**	-	No
Remarks on delay and failure to achieve estimated income (by project)	(1) The preconstruction of Shanghai Wujiefang Project was affected by the government's redirection of roads due to its location within the Expo area. Construction commenced in the second half of 2010, and sales began in May 2012. The overall development plan of the project had been adjusted accordingly. Nanjing Anpin Street Project was affected by the government's policy to preserve the city's heritage. Adjustment had been made to the planning of the project, and the original commencement schedule had been affected. The relevant planning has now been approved. The overall development plan of the project has been adjusted accordingly. (2) Stratford Project in Nanjing was almost sold out and delivered in 2010. Accumulative net profit margin amounted to 7.49%. The project had achieved good brand effect but the income							

	generated from this project did not reach the estimated level stated in the prospectus, while the income of other projects financed by the raised proceeds exceeded or expected to exceed 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 2012, the Company had applied RMB9,829.93 million of the proceeds in accordance with the prospectus. The amount represented 98.9% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB106.67 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 7 new subsidiaries, each with registered capital of over RMB10 million. The details are as follows:

Unit: ’000

No.	Company	Currency	Registered capital	Actual investment by China Vanke	Scope of business
1	Qingdao Vanke Commercial Property Co., Ltd. (青岛万科商业地产有限公司)	RMB	100,000	100,000	Property development
2	Beijing Xingfuhui Investment Co., Ltd.(北京幸福汇投资有限公司)	RMB	75,000	45,000	Property development
3	Tianjin Wanwei Property Investment Co., Ltd.(天津万为置业投资有限公司)	RMB	25,500	25,500	Property development
4	Wuhan Vanke Golden Plaza Property Development Co., Ltd. (武汉万科金色广场物业发展有限公司)	RMB	10,000	10,000	Property development
5	East of Nanjing Station Property Co., Ltd. (南京站东置业有限公司)	RMB	10,000	10,000	Property development
6	Yantai Wanhong Real Estate Co., Ltd. (烟台万宏房地产开发有限公司)	RMB	10,000	7,000	Property development
7	Nanchong Vanke Property Co., Ltd. (南充万科置业有限公司)	RMB	10,000	6,000	Property development
Total			**240,500**	**203,500**	

In addition, the Company had established another 3 new subsidiaries, with a total amount of investment of RMB11.4 million.

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

A. On 5 January 2012, the Company acquired 65% equity interests of Airwell Aircon (China) Co.,Ltd. (欧威尔空调（中国）有限公司) for a total cash consideration of RMB214.5 million.

B. On 23 April 2012, the Company acquired 100% equity interests of Wise Grow Group Limited for a total cash consideration of USD34.78 million. Wise Grow Group Limited holds 45% equity interests of Dalian Vanke City Property Company Limited, a majority-owned subsidiary of the Company.

C. On 23 April 2012, the Company acquired 100% equity interests of Tian Cheng (Holdings) Investments Limited for a total cash consideration of USD20.63 million. Tian Cheng (Holdings) Investments Limited holds 45% equity interests of Wuhan Vanke Tiancheng Real Estate Company Limited, a majority-owned subsidiary of the Company.

D. On 23 April 2012, the Company acquired 83.67% equity interests of Bonus Plus Holdings Limited for a total cash consideration of USD23.58 million. Bonus Plus Holdings Limited holds 49% equity interests of Suzhou Huihua Investment and Property Company Limited, a majority-owned subsidiary of the Company.

E. On 15 June 2012, the Company acquired 90% equity interests of Changchun Vanke Jingcheng Real Estate Development Co., Ltd. for a total cash consideration of RMB207 million.

During the reporting period, the Company acquired another 5 companies for a total consideration of RMB139.55 million.

Subsequent events:
According to the announcement dated 15 May 2012, Vanke Property (Hong Kong) Company Limited ("Vanke Property"), a wholly-owned subsidiary of China Vanke Co.,Ltd. (the "Company"), and Wing Tai Properties Limited ("Wing Tai Properties", StockCode: 0369.HK) had entered into an agreement. Pursuant to the agreement, Vanke Property, through its wholly-owned subsidiary Wkland Investments Company Limited, will acquire the shares in Winsor Properties Holdings Limited ("Winsor Properties" Stock Code: 1036.HK) held by Wing Tai Properties upon completion of the agreed reorganisation of Winsor Properties.

On 16 July 2012, Winsor Properties completed its reorganisation. The aforesaid share acquisition has now been completed. Wkland Investments Company Limited now holds 205,835,845 shares in Winsor Properties, with the offer price of HK$5.6197 per share, representing approximately 79.26% of the total issued shares of Winsor Properties after reorganisation. According to the relevant requirements, Wkland Investments Company Limited shall fulfil the obligation of making a general offer to acquire all the issued shares in the restructured Winsor Properties. Since the consideration and the size of target company are relatively small, the acquisition will not have material impact on the total assets, net assets, net profits, gearing ratio and other key financial indicators of the Company.

3) During the year under review, in order to support the business development of the majority-owned subsidiaries, the Company increased the capital of 6 subsidiaries by RMB969 million. Of the total amount, RMB482 million was for Shanghai Wanshi Property Co., Ltd.(上海万狮置业有限公司), RMB280 million for Dongguan Vanke Real Estate Co., Ltd.(东莞市万科房地产有限公司), and RMB200 million for Putian Vanke Property Co., Ltd.(莆田市万科置业有限公司).

Other investments
During the reporting period, the Company acquired 13 new projects, with a site area attributable to China Vanke's equity holding of approximately 690,000 sq m (planned GFA of approximately 1,740,000 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
Qingyuan	Phase II, Northern Vanke City	Qingcheng District	100%	37,048	74,096	74,096	Preconstruction
Guangzhou	Guangzhou Tianhe Software Park Project	Tianhe District	100%	27,654	82,962	82,962	Preconstruction
Changsha	Yang Hu Yuan Project	Yuelu District	100%	100,350	298,331	298,331	Preconstruction
Nanjing	Nanjing South High-speed Railway Station Project	Yuhua District	100%	76,424	182,400	182,400	Preconstruction
Hefei	Ziyun Road Project	Binhu New District	55%	165,584	462,648	254,456	Preconstruction
Tangshan	Southern Stratford	Lunan District	100%	47,007	48,101	48,101	Preconstruction
Langfang	Xianghe Jiangxintun West Project	Xianghe County	50%	130,045	221,077	110,538	Preconstruction
Tangshan	The Paradiso	Lubei District	40%	26,329	65,341	26,136	Preconstruction
Shenyang	Spring Dew Mansion	Tiexi District	100%	19,321	48,302	48,302	Preconstruction
Qingdao	Vanke Plaza	Sifang District	100%	38,775	124,080	124,080	Preconstruction
Yantai	Dew Garden	Fushan District	70%	65,733	151,008	105,706	Preconstruction

Nanchong	Jinrun Huafu	Gaoping District	60%	182,012	518,004	310,803	Preconstruction
Guiyang	Jincheng	Yunyan District	51%	42,311	148,089	75,525	Preconstruction
Total				**958,592**	**2,424,438**	**1,741,436**	—

In addition, the Company was involved in 1 urban redevelopment project during the reporting period. According to the current planning, the site area attributable to China Vanke's equity holding amounted to approximately 130,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 390,000 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**
Guangzhou	Wenchong Project	Huangpu District	100%	129,417	394,432	394,432	Preconstruction
Total				129,417	394,432	394,432	—

From the end of the reporting period to the date of announcement of this report, the Company acquired 6 new projects, with site area attributable to China Vanke's equity holding of 380,000 sq m (the planned GFA attributable to China Vanke's equity holding was 8,400,000 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**
Ningbo	Yinzhou Venture Investment Project	Yinzhou District	55%	41,080	73,944	40,669	Pre-construction
Nanchang	No. 25, Hubei Road Project (湖北大道 25 亩项目)	Qingshanhu District	50%	16,888	50,664	25,332	Pre-construction
Jimo	Jimo Dongjin Project (即墨东郡项目)	Jimo City	55%	112,400	287,200	157,960	Pre-construction
Tianjin	Bulk Cargo Logistics Project (散货物流项目)	Binhai New District	51%	108,400	190,000	96,900	Pre-construction
Xi'an	Zaoyuan Project(枣园项目)	Lianhu District	100%	65,706	249,186	249,186	Pre-construction
Shanghai	Land Lot No. 11 in Hongqiao Business District (虹桥商务区11号地块项目)	Minhang District	100%	112,850	177,870	177,870	Pre-construction
Total				**457,324**	**1,028,864**	**841,017**	—

Among the abovementioned projects, certain projects may be developed jointly with external partners in future. As such, the respective equity interests held by China Vanke in the relevant projects may alter. The percentage of shareholdings disclosed above is only for periodical reference for investors.

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.

During the reporting period, 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 Basic Internal Control Norms for Enterprises and its implementation guidelines, the Company continued to adopt a pragmatic internal control approach to establish the internal control process in a systematic manner. All the departments at the headquarters and frontline companies raised their internal control standards by strengthening their internal controls according to their actual business operations, assessing inherent and control risks and taking effective control measures. All the departments at the Company's headquarters formulated their annual internal control system establishment scheme, while frontline subsidiaries established their risk management plan. To enhance the effectiveness of control and management, the Company had developed an IT application system in respect of the key aspects of control and management. Based on the assessment of the actual weakness of the existing internal control system, the Company formulated a solution that addresses issues related to the system and process to minimize actual risks and enhance the effectiveness of its internal controls.

The Company has been upholding its dividend distribution policy every year since its listing on the Shenzhen Stock Exchange in 1991. Among all A-share companies, the Company has the longest history of distributing cash dividends. The total cash dividends distributed since 1992 accounted for 18% of the total net profit of the Company generated since 1992. The total cash dividends distributed in the last three years accounted for 44.5% of the average net profit of the Company in the last three years. The proposal on dividend distribution was considered at the 2011 Annual General Meeting, for which the Company established an Internet voting platform for shareholders to exercise their voting rights. The formulation and implementation of the Company's cash dividend distribution policy was in compliance with the requirements of the Articles of Association of the Company and shareholders' approval. During the voting process, the independent directors of the Company had diligently performed their duties of supervision, while small-medium shareholders also had a chance to express their views. In future, the Company will continue to uphold a stable cash dividend distribution policy. The amount of cash dividends to be distributed per annum from 2012 to 2014 is expected to be not less than 15% of the distributable net profit of that year.

2. Implementation of the Company's proposal on dividend distribution for the previous year and profit appropriation for the interim period of 2012

Proposal on dividend distribution for the year 2011 was approved at the 2011 Annual General Meeting held on 11 May 2012. 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 RMB1.3 (including tax; after deducting tax, a cash dividend of RMB1.17 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 RMB1.17 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 after the reporting period: the record date for A shares was 4 July 2012, and ex-dividend date was 5 July 2012, while the last trading day of B shares was 4 July 2012, ex-dividend date was 5 July 2012, and the record date was 9 July 2012. For details on the implementation of the proposal, please refer to the announcement published in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily, www.cninfo.com.cn and irasia.com on 27 June 2012.

The Company will not carry out profit appropriation nor the transfer of capital surplus reserve to share capital for the interim period of 2012.

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

"A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd." (Stock Option Incentive Scheme) had been approved at the first extraordinary general meeting of the Company in 2011. On 25 April 2011, being the grant date of stock options under the A-Share Stock Option Incentive Scheme, the beneficiaries obtained their stock options.

During the reporting period, some of the beneficiaries resigned and therefore failed to qualify for being a beneficiary of the Stock Option Incentive Scheme. Accordingly, 5,128,500 stock options became invalid during the reporting period. As at the end of the reporting period, the number of beneficiaries of the Stock Option Incentive Scheme was 715, holding 96,239,500 stock options that had been granted but yet to be exercised.

The Company implemented the proposal on dividend distribution on 5 July 2012, and distributed a cash dividend of RMB1.3 (including tax) to all shareholders for every 10 existing shares held. Pursuant to the approval of the resolution regarding granting the Board the authority to handle matters relating to the Company's Stock Option Incentive Scheme at the first extraordinary general meeting in 2011, the Board resolved to make corresponding adjustment of the exercise price of the A-share stock options. The adjusted exercise price was RMB8.66.

According to the authority granted to the Board at the shareholders meeting, the Board considered and agreed to determine that the vesting conditions of the stock options had been fulfilled.The beneficiaries of the Scheme had met the conditions for exercising the stock options under the Scheme. Upon the completion of the relevant procedures for approval, the Stock Option Incentive Scheme entered the first exercise period on 12 July 2012, and the beneficiaries of the Scheme can, between 12 July 2012 and 24 April 2014, exercise 40% of the options they are holding.
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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.

Stock Option Incentive Scheme adopts Binomial tree option pricing model to estimate the fair value of the stock options on the grant date. According to the straight-line method, the cost of stock options of RMB57.8139 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 RMB57.8139 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 , Securities Daily, and www.cninfo.com.cn on 12 July 2012.

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
In February 2012, pursuant to the authority granted at the first extraordinary general meeting of 2011, the Board agreed that the Company applied for a trust loan of RMB1 billion, with a 2-year term and a fixed annual interest rate of 10.6 per cent from China Resources SZITIC Trust Co., Ltd. to satisfy the development needs of the Company's Dongguan Zitai Project, Dongguan King Metropolis Project and Anshan Whistler Project. To satisfy the development needs of the Wenzhou Longwan Garden Phase I Project, Nanjing The Paradiso Phase III Project, Hangzhou Liangzhu Heron Hill West Phase I Project and Qinhuangdao Holiday Town Phase III Project, the Company had applied for a trust loan of RMB2 billion from China Resources SZITIC Trust Co., Ltd. The term of the loan is two years and a fixed annual interest rate of 10.5 per cent. The cost of the loan had been determined with reference to the prevailing market price level and the characteristics of the project, and was not higher than the cost of trust loan taken out by the Company from an independent third party during the period. Upon the expiry in April 2012 of the authority granted at the first extraordinary general meeting of 2011, the aggregate amount of trust loans applied by the Company from China Resources SZITIC Trust Co., Ltd. amounted to RMB4 billion.

In May 2012, the Company's annual general meeting of 2011 authorised the Board to determine, within the scope set out below, the continuous 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 RMB10.59 billion (i.e. not more than 20% of the Company's audited net assets value as at the end of 2011). The authorisation is valid for a period of one year commencing from the date of passing of the relevant resolution in the annual 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 major 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 financial entrustment.

(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)	Company for which guarantee was granted (% of equity interest held by China Vanke)	Guarantee Amount	Details	Guarantee Period	Remarks
1	Vanke Properties (Hong Kong) Co., Ltd. (100%)	Tairong Co., Ltd. (100%)	RMB193.39 million	Provided a guarantee for a bank loan of RMB206.78 million	From 4 January 2012 to 4 January 2014	
2	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB17.1 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB38 million	From 5 January 2012 to 30 September 2013	
3	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Wanzhicheng Property Development Co., Ltd. (50%)	RMB15 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB30 million	From 16 January 2012 to 31 May 2012	Withdrawn
4	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Wanzhicheng Property Development Co., Ltd. (50%)	RMB20.31 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB40.63 million	From 16 January 2012 to 12 December 2014	
5	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB1.35 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB3 million	From 10 February 2012 to 30 September 2013	
6	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Wanzhicheng Property Development Co., Ltd. (50%)	RMB1.1 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB2.2 million	From 21 February 2012 to 12 December 2014	
7	Beijing Vanke Company Limited (100%)	Beijing Jindi Vanke Property Development Co., Ltd. (50%)	RMB350 million	Provided a guarantee in proportion to the Company's equity holding for a loan of RMB700 million	From 21 February 2012 to 21 February 2014	
8	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Wanzhicheng Property Development Co., Ltd. (50%)	RMB6.33 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB12.66 million	From 23 February 2012 to 12 December 2014	
9	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Vanke City Views Property Development Co., Ltd. (100%)	RMB420 million	Provided a guarantee for a loan of RMB420 million	From 24 February 2012 to 23 August 2013	
10	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB1.8 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB4 million	From 19 March 2012 to 30 September 2013	

11	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB3.04 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB6.08 million	From 29 March 2012 to 19 May 2014	
12	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. (51%)	RMB102 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB200 million	From 6 April 2012 to 6 April 2014	
13	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB2.25 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB5 million	From 10 April 2012 to 30 September 2013	
14	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB4.51 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB9.01 million	From 19 April 2012 to 19 May 2014	
15	Vanke Properties (Hong Kong) Co., Ltd. (100%)	Fengyi Co., Ltd. (100%)	RMB632 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB632 million	From 20 April 2012 to 20 April 2015	
16	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB3.6 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB8 million	From 9 May 2012 to 30 September 2013	
17	China Vanke Co., Ltd.(100%)	Shenzhen Vanke Property Co., Ltd. (100%)	RMB130 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB130 million	From 10 May 2012 to 9 May 2014	
18	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB12.5 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB25 million	From 11 May 2012 to 19 May 2014	
19	Shenyang Vanke Real Estate Co., Ltd. (100%)	Shenyang Zhongtie Vanke Langyu Property Company Limited (49%)	RMB14.79 million	Provided 51% of the guarantee for a bank loan of RMB29 million	From 24 May 2012 to 7 August 2014	
20	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB24 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB48 million	From 25 May 2012 to 19 May 2014	
21	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB1.89 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB4.2 million	From 30 May 2012 to 30 September 2013	
22	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB15.99 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB31.98 million	From 31 May 2012 to 19 May 2014	
23	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB3.15 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB7 million	From 7 June 2012 to 30 September 2013	
24	Ningbo Vanke Property Development Ltd. (100%)	Ningbo Zhongwan Property Co., Ltd (49% held by China Vanke, 15% of which were held through Ningbo Vanke Property Development Ltd)	RMB0.98 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB6.55 million	From 26 June 2012 to 5 December 2014	

During the reporting period, the amount of new guarantees provided by the Company and its majority-owned subsidiaries was RMB1,977 million, and the amount of guarantees withdrawn was RMB1,245 million. There was a slight change in the outstanding amount of guarantees at the beginning of the reporting period due to changes in exchange rates. As at the end of the reporting period, the outstanding amount of guarantees provided by the Company was RMB14,427 million, accounting for 27.24% of the audited equity attributable to shareholders of the Company as at the end of the 2011. The outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB13,935 million; the outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for associates and joint venture companies was RMB492 million. The Company and its majority-owned subsidiaries did not have any external guarantees.

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 horizontal 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

<table>
<tr><th>Type of meeting</th><th>Date</th><th>Location</th><th>Approach</th><th>Types of investors</th><th>Issues discussed and information provided</th></tr>
<tr><td>BNP meeting</td><td>2012.1</td><td>Hong Kong</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td><td rowspan="6">(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.</td></tr>
<tr><td>Credit Suisse Securities Meeting</td><td>2012.1</td><td>Hong Kong</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>UBS Securities Meeting</td><td>2012.1</td><td>Shanghai</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Deutsche Bank meeting</td><td>2012.1</td><td>Beijing</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Religare meeting</td><td>2012.2</td><td>Hong Kong</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>CITIC Securities meeting</td><td>2012.2</td><td>Shenzhen</td><td>Face to face meeting</td><td>Investors including securities companies, funds, etc</td></tr>
</table>

Goldman Sachs meeting	2012.2	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	(II) Major information provided: Published information including the Company’s regular reports.
Annual results presentation	2012.3	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to face meeting	Investors including securities companies, funds, individual investors, etc	
CLSA Securities meeting	2012.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2012.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Goldman Sachs meeting	2012.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
BNP meeting	2012.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2012.3	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
UBS Securities meeting	2012.3	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
Mirae Asset meeting	2012.4	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
China Merchants Securities meeting	2012.4	Hangzhou	Face to face meeting	Investors including securities companies, funds, etc	
CLSA Securities meeting	2012.4	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2012.4	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
HSBC meeting	2012.4	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
CLSA Securities meeting	2012.5	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Barclays meeting	2012.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2012.5	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Guotai Junan meeting	2012.6	Xi’an	Face to face meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2012.6	Hangzhou	Face to face meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2012.6	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2012.6	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2012.6	Beijing	Face to face meeting	Investors including securities companies, funds, etc	
Huatai Securities meeting	2012.6	Shanghai	Face to face meeting	Investors including securities companies, funds, etc	
China Merchants Securities meeting	2012.6	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	
Merrill Lynch meeting	2012.6	Shenzhen	Face to face meeting	Investors including securities companies, funds, etc	

Credit Suisse meeting	2012.6	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
Okasan Securities meeting	2012.6	Hong Kong	Face to face meeting	Investors including securities companies, funds, etc	
CITIC Securities meeting	2012.6	Ningbo	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, Huizhou, Guangzhou, Foshan, Dongguan, Zhuhai, Zhongshan, Haikou, Fuzhou, Xiamen, Changsha, Shanghai, Jiaxing, Wuxi, Nanjing, Hangzhou, Ningbo, Wenzhou, Nanchang, Hefei, Beijing, Tianjin, Tangshan, Shenyang, Dalian, Taiyuan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang etc.	Small group or one-on-one	Shenjin Wanguo, Guotai Junan, Daiwa Securities, Minsheng Securities, CLSA Securities, CITIC Securities, Deusche Bank, Credit Suisse Securities, Goldman Sachs, UBS, JP Morgan, CICC, Huatai United Securities, Standard Chartered Bank, CITIC Construction Securities, Goldman Sachs Gaohua, Guangfa Securities, Haitong Securites, Merrill Lynch Securities, Yuanta Securities, Changjiang Securities, Citibank, Morgan Stanley, Orient Securities, Dongxing Securities, Galaxy Securities, Sinolink Securities, BOCI, Essence Securities, China Investment Securities, Guosen Securities, China Merchants Securities, Samsung Securities, Macqurie, HSBC, Nomura Securities, Barclays, Korea Investment & Securities, Hengtai Securities, Mizuho Securities, Mitsubishi UFJ Securities, BNP, Jefferies, Religare, UOB KayHian, Keefe, Bruyette & Woods Asia, Oliver Wyman, DBS Vickers (HK) Ltd etc.	

Funds and other investment companies and individual investors	During the reporting period	Shenzhen, Huizhou, Guangzhou, Foshan, Dongguan, Zhuhai, Zhongshan, Haikou, Fuzhou, Xiamen, Changsha, Shanghai, Jiaxing, Wuxi, Nanjing, Hangzhou, Ningbo, Wenzhou, Nanchang, Hefei, Beijing, Tianjin, Tangshan, Shenyang, Dalian, Taiyuan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang etc.	Small group or one-on-one	GF Fund Management, Orient Asset Management, Rongtong Fund Management, Goldman Sachs (Asia) Co., Ltd, Shenzhen Jinchaoyang Enterprise Management Ltd, CICC Asset Management, China Universal Asset Management, Manulife Teda Fund, Daiwa Asset Management, New China Life, Changsheng Fund, China Life, Bosera Fund, Harvest Fund, China AMC, Fortis Haitong Fund, Yinhua Fund, Dacheng Fund, Southern Fund, E Fund, Fullgoal Fund, Cephei Investment, First State Investment Fund, China International Fund Management, PICC, Ping An Insurance, Fortune SGAM Fund, New China Life, Hua An Fund, CITIC Asset Management, Taikang Life, UBS SDIC Fund, Bank of Communications Schroders Fund, Kondor Asset Management, Korea Investment & Trust, Korea KTB Asset Management, Ethan Capital, Wells Capital Management, PNC Capital, Moon Capital, Dialectic Capital, Heitman LLC, Libra Capital Managment, Kowloon Development Company Limited, HwangDBS Investment Management, Discovery Capital Management LLC, Prince Street Capital Management, Matthews International Capital Management, GSI Fund (HK), JF Asset Management, FMR Capital Group, Cheuvreux Creidt Agricole, Boodell & Company, Marsico Capital, TT International, Trusted Sources, Barclays Capital, UBS GAM, F & C, Keywise, Lazard Asset Management, Baillie Gifford, Och-Ziff, Wellington Management, SAC Capital, CSPB, Havenport, Trivest, East Capital, Merchants Gate Capital, Capital, Norges Bank Investment Management, Broad Peak Investment Advicers, Putnam, EFMI Limited (HK), Holowesko Partners, Waddell & Reed, Algebris, Ashmore EMM, Deutsche Asset Management, Zeal Asset Management, Allianze, Open Door, Pictet Asset Management, Fortress Investment Group, Maverick Capital Ltd, Hokan Zurich Insurance Company Ltd, Bank of Singapore Ltd, TIAA-CREF Investment Management Inc, Sparx, CQS (Hong Kong) Ltd, Samena Capital Hong Kong Limited, SCHRODERS, FIL Investment Management (Singapore), Cascabel Management, Soros, Seatown Holdings, Tiger Asia, Elliott, Parter Funds, Generation Investment, Mount Kellet, Emerging Markets Investment Trust, Baring, Harris Associates LP, Cephei Investment, APG Asset Management, Templeton, Salus Resources Advisory, Teng Yue Partners, Hugh Currie, Cambiar, Alliance Berstein, Trilogy Global Advisors, Caisse De Depot Et Placement, PT Trimegah Asset Management, Artisan Partners LP, Heitman Real Estate Securities LLC, Glenrock Inc, Batterymarch Financial Management, Kynikos Associates, Standard Life Investment, Kylin Management, CBRE, Tmasek, Fidel Manulife Asset Management ity, GIC, DnB Asset Management, Manulife Asset Management, RCM (UK), Genesis, T.Rowe Price etc	

12. Corporate bonds and related matters

During the reporting period, 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"). The rating company continued to assign AAA credit ratings to the Company's secured corporate bonds "08 Vanke G1" and non-secured corporate bonds "08 Vanke G2" as well as the Company's overall corporate credit. China Chengxin gave a stable outlook rating to the Company. During the reporting period, the Company maintained a good credit standing.

Citic Securities Co., Ltd., the trustee of the Company's corporate bonds, was of the opinion that China Vanke has a healthy operation and good credit standing, with strong capacity to meet its financial obligation. The principal and interest payments for this bond issue are safe.

During the reporting period, the Shenzhen branch of China Construction Bank Corporation, being the guarantor of the secured corporate bonds "08 Vanke G1" issued by the Company, had safe assets and stable operating results, with no material change in credit standing.

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 and loss during the reporting period amounted to RMB(16,527,282.76). The value of the IRS was determined based on the fair value assessed on 30 June 2012
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 a percentage of the Company's equity attributable to shareholders as at the end of the reporting period**
Interest rate swap (IRS) agreement	3,079,879.9	2,569,806.9	(16,527.3)	4.66%
Total	**3,079,879.9**	**2,569,806.9**	**(16,527.3)**	**4.66%**

XI. Financial Report (Unaudited)

China Vanke Co., Ltd.
万科企业股份有限公司

30 June 2012

Consolidated income statement
for the six months ended 30 June 2012

(Expressed in Renminbi Thousand Yuan)

	Note	***2012*** ***Jan. – Jun.***	***2011*** ***Jan. – Jun.***
Revenue	4(a)	28,959,560	18,886,966
Cost of sales		(19,297,385)	(10,998,932)
Gross profit		**9,662,175**	**7,888,034**
Other revenue	5	395,098	364,682
Other net income	6	74,687	61,741
Distribution cost		(1,238,382)	(956,748)
Administrative expenses		(851,688)	(904,669)
Other operating expenses	7	(113,046)	(76,397)
Profit from operations		**7,928,844**	**6,376,643**
Finance costs	8(a)	(788,381)	(517,592)
Share of profits less losses of associates	14	256,481	30,061
Share of profits less losses of jointly controlled entities	15	166,039	(22,288)
Profit before taxation		**7,562,983**	**5,866,824**
Income tax	9(a)	(3,027,505)	(2,614,306)
Profit for the period		**4,535,478**	**3,252,518**
Attributable to:			
Equity shareholders of the Company		3,725,085	2,977,855
Non-controlling interests		810,393	274,663
Profit for the period		**4,535,478**	**3,252,518**
Basic earnings per share	11	**0.34**	**0.27**

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income for the six months ended 30 June 2012

(Expressed in Renminbi Thousand Yuan)

	Note	***2012 Jan. – Jun.***	***2011 Jan. – Jun.***
Profit for the period		**4,535,478**	**3,252,518**
Other comprehensive income (after tax and reclassification adjustments)	10		
Exchange differences on translation of financial statements of overseas subsidiaries		(73,372)	88,446
Available-for-sale securities: net movement in the fair value reserve		(27,374)	-
		(100,746)	**88,446**
Total comprehensive income for the year		**4,434,732**	**3,340,964**
Attributable to:			
Equity shareholders of the Company		3,624,339	3,066,301
Non-controlling interests		810,393	274,663
Total comprehensive income for the period		**4,434,732**	**3,340,964**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position as at 30 June 2012

(Expressed in Renminbi Thousand Yuan)

	Note	***30 June 2012***	***31 December 2011***
Non-current assets			
Property, plant and equipment	12	3,000,840	2,777,889
Investment properties	13	1,225,338	1,126,105
Interest in associates	14	2,349,667	2,160,824
Interest in jointly controlled entities	15	4,451,749	4,183,142
Other financial assets	16	87,387	523,790
Other non-current asset	17	276,700	463,793
Deferred tax assets	25(b)	2,767,396	2,326,242
		14,159,077	**13,561,785**
Current assets			
Inventories	18	226,663,780	208,661,350
Trade and other receivables	19	42,869,054	40,071,647
Pledged deposits	20	1,292,461	625,403
Cash and cash equivalents	21	45,719,728	33,614,112
		316,545,023	**282,972,512**
Current liabilities			
Loans and borrowings	22	20,305,843	23,570,276
Financial derivative	23	19,313	17,042
Trade and other payables	24	189,556,904	168,893,596
Current taxation	25(a)	7,219,061	8,243,247
		217,101,121	**200,724,161**
Net current assets		**99,443,902**	**82,248,351**
Total assets less current liabilities		**113,602,979**	**95,810,136**

Consolidated statement of financial position
As at 30 June 2012
(Expressed in Renminbi Thousand Yuan)

	Note	*30 June 2012*	*31 December 2011*
Non-current liabilities			
Loans and borrowings	22	42,605,550	26,822,359
Deferred tax liabilities	25(c)	1,090,883	1,104,762
Provisions	26	57,904	38,678
Other non-current liabilities	27	14,669	11,798
		43,769,006	**27,977,597**
NET ASSETS		**69,833,973**	**67,832,539**
CAPITAL AND RESERVES			
Share capital	29	10,995,210	10,995,210
Reserves		44,104,605	41,972,585
Total equity attributable to equity shareholders of the Company		**55,099,815**	**52,967,795**
Non-controlling interests		**14,734,158**	**14,864,744**
TOTAL EQUITY		**69,833,973**	**67,832,539**

Approved and authorised for issue by the board of directors on 3 August2012.

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

Consolidated statement of changes in equity
Year ended 31 December 2011
(Expressed in Renminbi Thousand Yuan)

		Attributable to equity shareholders of the Company									
	Note	*Share capital* RMB'000	*Share premium* RMB'000	*Share-based compensation reserve* RMB'000	*Statutory reserves* RMB'000	*Exchange reserve* RMB'000	*Other reserves* RMB'000	*Retained profits* RMB'000	*Total* RMB'000	*Non-controlling interests* RMB'000	*Total equity* RMB'000
Balance at 1 January 2011		10,995,210	8,789,676	-	10,587,706	390,132	(332)	13,470,285	44,232,677	10,353,523	54,586,200
Changes in equity for 2011:		-	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	9,624,875	9,624,875	1,974,731	11,599,606
Other comprehensive income	10	-	-	-	-	155,644	27,373	-	183,017	-	183,017
Total comprehensive income		-	-	-	-	155,644	27,373	9,624,875	9,807,892	1,974,731	11,782,623
Dividends approved in respect of											
the previous year	29(c)	-	-	-	-	-	-	(1,099,521)	(1,099,521)	-	(1,099,521)
Appropriation to statutory reserves	29(b)				3,061,021		-	(3,061,021)	-	-	-
Equity settled share-based transactions	28			106,236			-	-	106,236	-	106,236
Capital contribution from						-	-	-	-		-
non-controlling interests		-	-	-	-	-	-	-	-	3,904,944	3,904,944
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	68,806	68,806
Acquisitions of additional interest									-		-
in subsidiaries							(79,489)		(79,489)	(405,068)	(484,557)
Disposals of subsidiaries									-	(102,688)	(102,688)
Dividends declared to non-controlling interests	-								-	(898,844)	(898,844)
Others									-	(30,660)	(30,660)
Balance at 31 December 2011		10,995,210	8,789,676	106,236	13,648,727	545,776	(52,448)	18,934,618	52,967,795	14,864,744	67,832,539

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity (continued)
Period ended 30 June 2012
(Expressed in Renminbi Thousand Yuan)

		Attributable to equity shareholders of the Company									
	Note	*Share capital*	*Share premium*	*Share-based compensation reserve*	*Statutory reserves*	*Exchange reserve*	*Other reserves*	*Retained profits*	*Total*	*Non-controlling interests*	*Total equity*
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012		10,995,210	8,789,676	106,236	13,648,727	545,776	(52,448)	18,934,618	52,967,795	14,864,744	67,832,539
Changes in equity for 2012 Jan. to June:									-		-
Profit for the six months period		-	-	-	-	-	-	3,725,085	3,725,085	810,393	4,535,478
Other comprehensive income	10	-	-	-	-	(73,372)	(27,374)	-	(100,746)		(100,746)
Total comprehensive income		-	-	-	-	(73,372)	(27,374)	3,725,085	3,624,339	810,393	4,434,732
Dividends approved in respect of the previous year	29(c)	-	-	-	-	-	-	(1,429,377)	(1,429,377)		(1,429,377)
Appropriation to statutory reserves	29(b)	-	-	-	-	-	-	-	-		-
Equity settled share-based transactions	28	-	-	57,814	-	-	-	-	57,814		57,814
Capital contribution from											-
non-controlling interests		-		-	-	-	(120,756)	-	(120,756)	84,813	(35,943)
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	23,455	23,455
Acquisitions of additional interest in subsidiaries		-	-	-	-	-	-	-	-	(784,327)	(784,327)
Disposals of subsidiaries		-	-		-	-	-	-	-	1,091	1,091
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(266,011)	(266,011)
Others		-		-	-	-	-	-	-		-
Balance at 30 June 2012		10,995,210	8,789,676	164,050	13,648,727	472,404	(200,578)	21,230,326	55,099,815	14,734,158	69,833,973

Consolidated cash flow statement
for the six months ended 30 June 2012

(Expressed in Renminbi Thousand Yuan)

	2012 Jan.–Jun.	***2011 Jan.–Jun.***
Cash received from sales of products	48,164,285	50,406,825
Other cash received from business operating activities	3,406,592	7,004,980
Cash generated from operating activities	**51,570,877**	**57,411,805**
Cash paid for purchasing of merchandise and services	31,537,772	38,777,093
Cash paid to employees or paid for employees	1,821,229	1,461,654
Tax paid for tax	9,818,780	9,510,509
Other cash paid for business operating activities	5,573,901	3,836,700
Cash used in operating activities	**48,751,682**	**53,585,956**
Net cash used in operating activities	**2,819,195**	**3,825,849**
Proceeds from sales of investments	4,000	76,700
Dividends received	47,684	15,216
Proceeds from disposal of property, plant and equipment	679	329
Proceeds from disposal of subsidiaries	-	-
Proceeds from other investment activities	189,256	407,324
Cash generated from investing activities	**241,619**	**289,453**
Acquisitions of property, plant and equipment and construction in progress	79,462	124,040
Acquisitions of interest in associates, jointly controlled entities and other investments	131,450	398,261
Acquisitions of subsidiaries,net of cash acquired	835,148	3,042,726
Other cash paid relating to investing activities	60,000	42,569
Cash used in investing activities	**1,106,060**	**3,397,479**
Net cash used in investing activities	**(864,441)**	**(3,108,026)**

Consolidated cash flow statement (continued)
for the six months ended 30 June 2012
(Expressed in Renminbi Thousand Yuan)

	2012 Jan.–Jun.	***2011 Jan.–Jun.***
Net proceeds from issue of shares upon placing	132,213	1,804,653
Proceeds from loans and borrowings	26,317,972	14,003,078
Cash generated from financing activities	**26,450,185**	**15,807,731**
Repayment of loans and borrowings	13,798,424	8,497,000
Dividend paid to equity shareholders of the Company and Interest paid	2,481,267	3,068,132
Cash used in financing activities	**16,279,691**	**11,565,132**
Net cash generated from financing activities	**10,170,494**	**4,242,599**
Effect of foreign exchange rates	(19,632)	**(10,587)**
Net increase in cash and cash equivalents	**12,105,616**	**4,949,835**
Cash and cash equivalents at 1 January	**33,614,112**	**35,096,935**
Cash and cash equivalents at 30 June	**45,719,728**	**40,046,770**

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Thousand Yuan unless otherwise indicated)

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 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities. The Group's principal activities are development and sale of properties in the PRC.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale (see note 2(f));
- derivative financial instruments are measured at fair value (see note 2(g)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group.

Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduce a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 30 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries and non-controlling 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the six months period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(e)).

(e) 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 that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the six months period 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.

2 Significant accounting policies (continued)

(e) 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 investee. 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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Investments in equity securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(u)(v). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

2 Significant accounting policies (continued)

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) 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 at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 2(u)(iv).

Depreciation is calculate to write off the costs of investment properties, less its residual value of 0% to 4%, if any, using the straight-line method over their estimated useful lives of 12.5 to 40 years. Both the useful life and residual value, if any, are reviewed annually.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

(i) Property, plant and equipment

The following items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss (see note 2(k)) :

- buildings held for own use which are situated on leasehold land classified as held under operating lease (see note 2(j)); and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment 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 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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:

	Residual value	Useful life
Leasehold land	0%	unexpired term of lease
Hotel and other buildings	4%	the shorter of the unexpired term of lease and 12.5-40 years
Improvements to premises	0%	5-10 years
Machinery and motor vehicles	4%	5-10 years
Other equipment	4%	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) 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.

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 classified as an investment property (see note 2(h)) or is held for development (see note 2(l)).

2 Significant accounting policies (continued)

(k) Impairment of assets

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

Investments in 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 the end of each reporting period 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;
- 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, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(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 2(k)(ii).
- For unquoted equity securities 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 equity securities carried at cost 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 these financial assets 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.

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

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

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 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors 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 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 the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

- 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 the 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).

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if 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 to reduce the carrying amount of the 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

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  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.

(l) Inventories

(i) Construction materials

Constrcution materials are carried 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 construction materials 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.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property held for development and property under development

  The cost of properties held for development and properties under development comprises 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 2(w)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(l) Inventories (continued)

(ii) Property development (continued)

- Completed property for sale

  In the case of completed properties developed by the Group, 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 costs to be incurred in selling the property.

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

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade debtors". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), 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 allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

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

2 Significant accounting policies (continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), 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.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the six months period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve). The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Significant accounting policies (continued)

(s) Income tax

Income tax for the six months period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements 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.

Current tax is the expected tax payable on the taxable income for the six months period, using tax rates enacted or substantively enacted at the end of the reporting period, 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 are 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 differences 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 that, 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(s) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

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 Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, 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.

(t) 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.

2 Significant accounting policies (continued)

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

(i) Financial guarantees issued (continued)

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 2(t)(ii) 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) 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.

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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 arising from the sale of properties 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 sale and purchase agreement, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented as “Receipts in advance” under “Trade and other payables”.

(ii) Provision of services

Revenue from services is recognised when services are rendered.

2 Significant accounting policies (continued)

(u) Revenue recognition (continued)

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) 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.

(v) Dividends

- 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) Interest income

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

(vii) Government grants

Government grants are recognised in the statement of financial position initially 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 revenue 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 from 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.

2 Significant accounting policies (continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

2 Significant accounting policies (continued)

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(y) Segments reporting

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 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.

3 Critical accounting judgements in applying the Group's accounting policies

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(i) Properties for sale

As explained in note 2(l), the Group's 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 based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, 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 end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(iii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 Critical accounting judgements in applying the Group's accounting policies (continued)

(iv) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(v) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

(vi) LAT

As explained in note 9(a), LAT 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 end of the reporting period. Any increase or decrease in estimates would affect profit or loss in future years.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are development and sale of properties in the PRC.

Revenue mainly represents income from sale of properties, construction contract and property management and related services earned during the year, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	2012	*2011*
	Jan. – Jun.	*Jan. – Jun.*
	RMB'000	RMB'000
Sale of properties	27,847,524	18,174,048
Construction contract	635,963	197,151
Property management and related services	330,713	224,997
Others	145,360	290,770
	28,959,560	18,886,966

The Group's customer base is diversified and does not have customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Segment reporting

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/Guangshen 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 the four segments mainly 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 carried out in the PRC. Details about the specific cities covered by each region are set out in note 4(b)(i).

- Property management: this segment provides property management and related services to purchasers and tenants of the Group's own developed residential properties and shopping arcades, as well as those developed by the external property developers. Currently the Group's activities in this regard are also carried out in the PRC.

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 consolidated financial statements.

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

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, loans and borrowings, and the provision for the estimated losses to be borne by the Group in relation to the property management projects, but excluding deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales before sales tax 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.

The measure used for reporting segment profit is the profit before CIT, excluding share of profit or loss of associates or jointly controlled entities, dividend income, other income and other operating expenses, but including the provision for doubtful debts and the profit arising from the inter-segment transactions. LAT which is considered directly attributable to the sale of properties is deducted from the segment profit for the review by the Group's most senior executive management.

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

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	Real Estate Development*((note 1))*					
	Beijing Region RMB'000	Shenzhen Region RMB'000	Shanghai Region RMB'000	Chengdu Region RMB'000	Property Management RMB'000	Total RMB'000
For the period ended 30 June 2012						
Revenue from external customers, before sales taxes	7,169,322	8,608,262	8,271,885	6,274,232	389,598	30,713,299
Inter-segment revenue	55,744	192,493	-	-	290,926	539,163
Reportable segment revenue, before sales taxes	7,225,066	8,800,755	8,271,885	6,274,232	680,524	31,252,462
Reportable segment profit	1,348,769	2,146,954	1,305,043	1,119,931	(19,459)	5,901,238
Interest income	267,987	78,197	91,223	38,160	2,110	477,677
Interest expense	211,277	288,386	250,863	26,182	38	776,746
Share of profits less losses of associates and jointly controlled entities*((note 2))*	303,681	82,346	(47,564)	31,459	-	369,922
Reportable segment assets	94,626,710	108,695,974	85,640,978	54,718,202	1,842,118	345,523,982
Reportable segment liabilities	79,713,170	94,455,810	74,739,427	49,540,815	1,628,694	300,077,916

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	Real Estate Development*((note 1))*					
	Beijing Region RMB'000	Shenzhen Region RMB'000	Shanghai Region RMB'000	Chengdu Region RMB'000	Property Management RMB'000	Total RMB'000
For the period ended 30 June 2011						
Revenue from external customers, before sales taxes	3,133,634	7,568,064	6,723,807	2,264,285	298,005	19,987,795
Inter-segment revenue	-	-	237	-	261,054	261,291
Reportable segment revenue, before sales taxes	3,133,634	7,568,064	6,724,044	2,264,285	559,059	20,249,086
Reportable segment profit	274,492	2,076,160	2,076,362	76,224	(8,070)	4,495,168
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 2))*	(8,732,211)	2,477,863	(11,934,677)	34,131,657	-	15,942,632
Reportable segment assets	77,245,186	84,126,721	74,716,284	41,610,385	1,387,563	279,086,139
Reportable segment liabilities	65,248,116	72,864,900	64,618,795	38,241,490	1,290,561	242,263,862

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

Note (1):

Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang, Fushun, Qinhuangdao and Jinzhong.

Guangshen region represents Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, Hainan and Putian.

Shanghai region represents Shanghai, Hangzhou, Su’nan, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu and Wenzhou.

Chengdu region represents Chengdu, Wuhan, Xi’an, Chongqing, Kunming, Guiyang and Urumqi.

Note (2):

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 RMB53 million (2011: RMB 171 million).

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	2012 *Jan.-Jun.*	2011 *Jan.-Jun.*
Revenue		
Reportable segment revenue	31,252,462	20,249,086
Elimination of inter-segment revenue	(539,163)	(333,019)
Unallocated head office and corporate revenue	9,693	72,771
Sales taxes	(1,763,432)	(1,101,873)
Consolidated turnover	28,959,560	18,886,965
Profit		
Reportable segment profit	5,901,238	4,495,168
Elimination of inter-segment profit	(19,060)	(36,291)
Share of profits less losses of associates and jointly controlled entities	422,520	7,773
Dividend income	27,324	15,266
Other net income, excluding net exchange gain	69,907	47,661
Other operating expenses, exlucding bad debt provision	(12,729)	(4,806)
Unallocated head office and corporate expenses	(340,526)	(72,962)
Land appreciation tax	1,514,309	1,415,015
Consolidated profit before taxation	7,562,983	5,866,824
Assets		
Reportable segment assets	345,523,982	279,086,139
Elimination of inter-segment receivables	(152,170,457)	(134,365,539)
Unallocated head office and corporate assets	137,350,575	116,580,588
Consolidated total assets	330,704,100	261,301,188
Liabilities		
Reportable segment liabilities	300,077,916	242,263,862
Elimination of inter-segment payables	(136,675,662)	(120,925,596)
Unallocated head office and corporate liabilities	97,467,873	82,155,439
Consolidated total liabilities	260,870,127	203,493,705

5 Other revenue

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Interest income	367,774	349,416
Dividend income	27,324	15,266
	395,098	364,682

6 Other net income

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Forfeited deposits and compensation from customers	23,640	9,863
Gain on disposals of subsidiaries	36,928	(1,240)
Gain on acquisitions of subsidiaries	380	450
Gain on disposals of minority interests of subsidiary	-	5,200
Gain on disposals of other investments	(14,256)	881
Net gain/(loss) on disposals of property, plant and equipment	33	(195)
Net realised and unrealised loss on financial derivatives	(2,271)	3,628
Net exchange gain	4,780	10,927
Other sundry income	25,453	32,227
	74,687	61,741

7 Other operating expenses

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Provision for doubtful debts	100,317	68,439
Compensation to customers	9,417	503
Donations	904	1,444
Penalties	738	1,749
Other sundry expenses	1,670	4,262
	113,046	76,397

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Interest on interest-bearing borrowings	2,606,843	1,857,312
Less: Interest expense capitalised into inventories (note)	(1,818,462)	(1,339,721)
	788,381	517,591

Note: The borrowing costs have been capitalised at a rate of 9.2% per annum (2011: 8.9%).

(b) Staff costs

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Salaries, wages and other benefits	1,013,852	647,624
Contributions to defined contribution retirement plan	128,862	91,989
Equity-settled share-based payment expenses	57,814	26,082
	1,200,528	765,695

(c) Other items

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Depreciation and amortisation	76,439	58,747
Impairment loss on trade and other receivables	100,317	68,439
Cost of inventories	18,383,496	10,708,755
Operating lease charges in respect of properties	34,381	43,212
Rental income	125,192	208,653

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2012 *Jan. – Jun.* RMB'000	2011 *Jan. – Jun.* RMB'000
Current tax		
PRC Enterprise Income Tax		
-Provision for CIT	1,910,218	1,495,963
-Provision for LAT	1,537,251	1,421,217
-Provision for withholding tax	25,945	5,181
	3,473,414	2,922,361
Deferred tax		
Fair value adjustments arising from business combinations		
- CIT	(8,927)	(14,569)
- LAT	(22,940)	(6,202)
Accrual for LAT	(53,672)	(52,708)
Tax losses	(294,789)	(208,018)
Bad debt provision and write-down of inventories	(21,665)	-
Accruals for construction costs	(6,919)	(19,188)
Withholding tax	27,112	4,665
Other temporary differences	(64,109)	(12,035)
	(445,909)	(308,055)
	3,027,505	2,614,306

(i) CIT

The provision for CIT 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 is 25% (2011: from 24% to 25%).

According to the 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 2012 and 2011, deferred tax assets and liabilities were calculated based on the applicable income tax rates enacted by the NPC from 1 January 2008.

9 Income tax in the consolidated income statement (continued)

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

(ii) LAT

LAT 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.

(iii) Withholding tax

Withholding tax is levied on the overseas subsidiaries in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 ranged from 5% to 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 *Jan. – Jun.* RMB'000	2011 *Jan. – Jun.* RMB'000
Profit before income tax	7,562,983	5,866,824
Less: Land Appreciation Tax	(1,514,311)	(1,415,015)
	6,048,672	4,451,809
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	1,495,776	1,086,513
Non-taxable income	(105,630)	(2,068)
Non-deductible expenses	88,950	81,422
Effect of temporary difference not recognised	55,989	34,582
Recognition of previously unrecognised tax losses	(21,891)	(1,045)
Effect of change in tax rates on deferred tax in respect of current year temporary differences	-	(113)
PRC Corporate Income Tax	1,513,194	1,199,291
Land Appreciation Tax	1,514,311	1,415,015
Actual total tax expense	**3,027,505**	**2,614,306**

10 Other comprehensive income

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

	2012 Jan.-Jun.			*2011 Jan.-Jun.*		
	Before-tax amount RMB'000	*Tax expense* RMB'000 *(note 25(d))*	*Net-of-tax amount* RMB'000	*Before-tax amount* RMB'000	*Tax benefit* RMB'000 *(note 25(d))*	*Net-of-tax amount* RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	(73,372)		(73,372)	88,446		88,446
Available-for-sale securities: net movement in fair value reserve	(36,498)	9,124	(27,374)			
Other comprehensive income	(109,870)	(9,124)	(100,746)	88,446		88,446

(b) Components of other comprehensive income, including reclassification adjustments

	2012 Jan. – Jun RMB'000	*2011 Jan. – Jun* RMB'000
Available-for sale securities:		
Changes in fair value recognised during the year	(27,374)	
Reclassification adjustments for amounts transferred to profit or loss:	-	
Net movement in the fair value reserve during the year recognised in other comprehensive income	(27,374)	

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 3,725,085,079 (2011: RMB 2,977,854,653) and the weighted average of 10,995,210,218 (2011: 10,995,210,218) shares in issue during the year.

The Group has a share option scheme which was adopted on 25 April 2011 (see note 28). The scheme gives rise to potential A shares of the Company. The potential A shares have no diluted effect for the six months ended 30 June 2012, but may have diluted effect in future years.

12 Property, plant and equipment

	Hotel and other buildings held for own use RMB'000	Improvements to premises RMB'000	Leasehold prepayment RMB'000	Machinery and motor vehicles RMB'000	Electronic and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2011	1,302,156	84,973	383,379	127,988	203,393	764,282	2,866,171
Additions	15,929	39,935	71,691	62,265	46,251	289,177	525,248
Transfer	347,907	-	-	-	-	(347,907)	-
Disposals	(11,873)	(5,663)	-	(12,856)	(12,565)	-	(42,957)
At 31 December 2011	1,654,119	119,245	455,070	177,397	237,079	705,552	3,348,462
At 1 January 2012	1,654,119	119,245	455,070	177,397	237,079	705,552	3,348,462
Additions	1,229	14,072	32,746	5,051	16,612	226,721	296,431
Transfer	3,340	2,594	-	805	207	(6,946)	-
Disposals	-	(1,273)	-	(3,615)	(3,406)	-	(8,294)
At 30 June 2012	1,658,688	134,638	487,816	179,638	250,492	925,327	3,636,599

12 Property, plant and equipment (continued)

	Hotel and other buildings held for own use RMB'000	Improvements to premises RMB'000	Leasehold prepayment RMB'000	Machinery and motor vehicles RMB'000	Electronic and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated amortisation and depreciation:							
At 1 January 2011	215,074	45,921	9,427	77,701	128,071	-	476,194
Charge for the year	51,204	20,505	10,169	18,055	28,779	-	128,712
Written back on disposals	(8,904)	(3,489)	-	(11,160)	(10,780)	-	(34,333)
At 31 December 2011	257,374	62,937	19,596	84,596	146,070	-	570,573
At 1 January 2012	257,374	62,937	19,596	84,596	146,070	-	570,573
Charge for the year	29,452	12,010	5,046	9,278	15,451	-	71,237
Written back on disposals	-	(1,093)	-	(2,214)	(2,744)	-	(6,051)
At 30 June 2012	286,826	73,854	24,642	91,660	158,777	-	635,759
Net book value:	-	-	-	-	-	-	-
At 30 June 2012	1,371,862	60,784	463,174	87,978	91,715	925,327	3,000,840
At 31 December 2011	1,396,745	56,308	435,474	92,801	91,009	705,552	2,777,889

13 Investment properties

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Cost:		
At 1 January	1,155,945	150,401
Addition	104,435	1,005,544
Disposals	-	-
At 30 June	1,260,380	1,155,945
Accumulated depreciation:		
At 1 January	29,840	21,225
Charge for the six months period	5,202	8,615
Written back on disposals	-	-
At 30 June	35,042	29,840
Net book value:		
At 30 June	1,225,338	1,126,105

Investment properties include those under development at the end of the reporting period with carrying amount of RMB1,416 million (2011: 920million).

Investment properties comprise certain commercial properties that are leased to third 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 RMB1,735 million (2011: RMB 1,519 million).

(a) The analysis of net book value of investment properties is set out as follows:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
In the PRC, held on leases of		
- Between 10 and 50 years	957,422	856,635
- Over 50 years267,916	269,470	
	1,225,338	1,126,105

13 Investment properties (continued)

(b) 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. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Within 1 year	13,661	17,815
After 1 year but within 5 years	205,872	131,176
After 5 years	191,573	271,408
	411,106	420,399

14 Interest in associates

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Share of net assets	2,349,667	2,160,824

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

		Proportion of ownership interest	
Name of company	*Place of incorporation and operation*	*Group's effective interest*	*Principal activity*
Beijing Jinyu Vanke Property Development Company Limited	PRC	49%	Property development
Wuhan Golf City Gardern Real Estate Company Limited (note 1)	PRC	49%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note 1)	PRC	49%	Property development
Hefei Yihang Vanke Real Estate Company Limited (note1, 2)	PRC	50%	Property development
Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note 1)	PRC	49%	Property development
Changsha Oriental City Real Esteate Company Limited	PRC	20%	Property development
Foshan Shunde District Zhonghang Vanke Property Company Limited	PRC	49%	Property development
Xiamen Wantefu Property Development Company Limited	PRC	30%	Property development

14 Interest in associates (continued)

Name of company	*Place of incorporation and operation*	*Proportion of ownership interest* — *Group's effective interest*	*Principal activity*
Guangzhou Yinyejunrui Property Development Company Limited (note 1)	PRC	49%	Property development
Shanghai Jingyuan Property Development Company Limited	PRC	45%	Property development
Langfang Kuangshijiye Property Development Company Limited (note 2)	PRC	50%	Property development
Shanghai Vanke Changning Property Development Company Limited (note 1)	PRC	49%	Property development
Shanghai Chongwan Property Development Company Limited (note 1)	PRC	49%	Property development
Shenyang Zhongtie Vanke Langyu Property Development Company Limited (note 2)	PRC	49%	Property development
Chongqing Wanbin Property Development Company Limited (note 1)	PRC	45%	Property development
Suzhou Kejian Property Development Company Limited (note 1)	PRC	49%	Property development
Beijing Wuyuankesheng Property Development Company Limited	PRC	49%	Property development
Beijing Jingtouyintai Property Development Company Limited (note 2)	PRC	50%	Property development
Guangzhou Wanshang Property Development Company Limited	PRC	33%	Property development
Chongqing Zhonghang Vanke Yunling Property Development Company Limited (note 1)	PRC	45%	Property development
Chongqing Zhonghang Vanke Junjing Property Development Company Limited (note 1)	PRC	45%	Property development
Changchun Vanke Xizhigu Property Development Company Limited (note 2)	PRC	50%	Property development
Shanghai NanduBaima Property Development Company Limited	PRC	49%	Property development
Shanghai Zunyi Wuye Service Company Limited	PRC	30%	Service management
Ningbo Zhongwan Property Development Company Limited	PRC	49%	Property development

Notes:

(1) Except for the equity interest held directly, the Group also hold 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.

14 Interest in associates (continued)

Summary financial information on associates:

	Assets RMB'000	*Liabilities* RMB'000	*Equity* RMB'000	*Revenue* RMB'000	*Profit* RMB'000
30 June 2012					
100 per cent	39,913,114	32,966,029	6,947,085	3,301,176	499,680
Group's effective interest	18,337,971	15,988,304	2,349,667	15,182,637	256,481
31 December 2011					
100 per cent	39,057,055	32,217,827	6,839,228	4,857,011	798,304
Group's effective interest	18,011,971	15,851,147	2,160,824	2,374,551	397,783

15 Interest in jointly controlled entities

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
Share of net assets	4,451,749	4,183,142

The following list contains only the particulars of jointly controlled entities, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name of company	*Place of incorporation and operation*	*Proportion of ownership interest* — *Group's effective interest*	*Principal activity*
Shanghai Jialai Real Estate Development Company Limited (note)	PRC	49%	Property development
Zhonghang Vanke Company Limited (note)	PRC	40%	Property development
Dongguan Vanke Property Company Limited	PRC	50%	Property development
Changsha Lingyu Real Estate Development Company Limited (note)	PRC	60%	Property development
Changsha Lingyu Investment Company Limited (note)	PRC	60%	Property development
Beijing Zhongliang Vanke Real Estate Development Company Limited	PRC	50%	Property development
Wuhan Vanke Qinganju Real Estate Company Limited	PRC	30%	Property development
Yunnan Vanke Chengtou Real Estate Investment Company Limited	PRC	51%	Property development
Hangzhou Xiangge Investment Management Company Limited	PRC	50%	Consulting service

Pingdu Vanke Real Estate Investment Company Limited	PRC	51%	Property development

15 Interest in jointly controlled entities (continued)

		Proportion of ownership interest	
Name of company	*Place of incorporation and operation*	*Group's effective interest*	*Principal activity*
FuYang Donghe Real Estate Investment Company Limited	PRC	20%	Property development
Shanghai Wanshuang Construction Technology Company Limited	PRC	60%	Consulting service
Shanghai Vanke YiDa Investment Management Company Limited	PRC	50%	Consulting service
Chongqing Liangjiang Vanke Investment Company Limited	PRC	50%	Property development
Tangshan Wanrun Real Estate Investment Company Limited	PRC	40%	Property development
Wuhan Yayuan Vanke Real Estate Investment Company Limited	PRC	50%	Property development
Beijing Dongfang Vanke Investment Management Company Limited	PRC	50%	Investment
Tianjin Diwan Investment Company Limited (note)	PRC	40%	Property development
Hangzhou Dongshang Property Development Company Limited	PRC	50%	Property development
Beijing Wanxin Investment Development Company	PRC	50%	Investment
Zhuhai Haiyu Property Development Company Limited	PRC	50%	Property development
Tianjin Songke Real Estate Company Limited (note)	PRC	49%	Property development
Beijing Jingtou Vanke Property Development Company Limited	PRC	50%	Property development
Fuyang Yongtong Property Development Company Limited (note)	PRC	20%	Property development
Shanghai Wanzhicheng Property Development Company Limited	PRC	50%	Property development
Shanghai Ledu Property Development Company Limited (note)	PRC	33.3%	Property development
Wuhan Liantou Vanke Property Development Company Limited	PRC	50%	Property development
Shandong Xiaozhushan Construction Development Company Limited	PRC	34%	Property development

Notes: A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.

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

15 Interest in jointly controlled entities (continued)

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Non-current assets	1,177,376	1,058,502
Current assets	37,721,165	16,108,803
Non-current liabilities	(1,364,543)	(1,769,198)
Current liabilities	(33,082,249)	(11,214,965)
Net assets	4,451,749	4,183,142
Income	1,040,475	1,801,032
Expenses	(874,436)	(1,554,827)
Profit for the period	166,039	246,205

16 Other financial assets

	30 Jun. 2012	*31 Dec. 2011*
Available-for-sale securities in the PRC	RMB'000	RMB'000
Equity securities		
-unlisted	87,243	519,026
-listed in PRC	144	4,764
	87,387	523,790

17 Other non-current assets

The other non-current assets mainly represent entrusted loans and prepayments for acquisitions of investees. The entrusted loans are interest bearing at market rate, unsecured and repayable after one year but within two years.

18 Inventories

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Properties held for development	61,817,761	62,985,176
Properties under development	156,208,127	138,330,541
Completed properties for sale	8,494,713	7,239,386
Others	143,179	106,247
	226,663,780	208,661,350

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

In the PRC, held on lease of	*30 Jun. 2012*	*31 Dec. 2011*
	RMB'000	RMB'000
Between 10 and 50 years	13,492,075	13,979,928
Over 50 years	105,024,751	120,888,196
	118,516,826	134,868,124

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Carrying amount of inventories sold	18,383,496	41,236,819

The amount of properties held for development and properties under development expected to be recovered after more than one year is 93,651RMB million (2011: RMB109,070 million). All of the other inventories are expected to be recovered within one year.

19 Trade and other receivables

	30 Jun. 2012	*31 Dec. 2011*
	RMB’000	RMB’000
Trade debtors	1,099,206	1,497,916
Less: allowance for doubtful debts	(21,515)	(27,849)
	1,077,691	1,470,067
Other debtors	11,203,100	8,286,197
Amount due from associates	4,719,103	6,176,274
Amount due from jointly controlled entities	3,180,033	3,978,143
Prepayments	22,626,341	20,116,219
Gross amount due from customers for contract work	62,786	44,747
	42,869,054	40,071,647

19 Trade and other receivables (continued)

(a) Trade debtors mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors is as follows:

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
Current	981,036	1,448,709
Less than 1 year past due	96,281	772
More than 1 year past due	374	20,586
	96,655	21,358
	1,077,691	1,470,067

The Group's credit policy is set out in note 30(a).

As at 30 June 2012, Trade debtors of approximately RMB21.52 million (2011: approximately RMB27.85 million) were impaired. The Group makes a reasonable provision based on its past experience.

(b) The amounts due from associates and jointly controlled entities as at 30 June 2012 include an amount of RMB2,531 million which are interest bearing at market rate, unsecured and repayable on demand. The interest income from these associates and jointly controlled entities amounted to RMB95 million in 2012. The remaining amounts due from associates and jointly controlled entities are unsecured, interest free and repayable on demand.

(c) The balance includes prepayments for leasehold land of RMB8,935 million (2011: RMB10,366 million).

(d) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 30 June 2012, is RMB2,196 million (2011: RMB1,518 million).

20 Pledged deposits

The balance mainly represents the guarantee deposits in respect of the proceeds received from pre-sale of properties..

21 Cash and cash equivalents

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Cash at bank and in hand	45,708,065	33,605,320
Other cash equivalents	11,663	8,792
	45,719,728	33,614,112

22 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk, please refer to note 30(c).

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Current		
Secured		
- Bank loans (note (a))	3,319,330	1,636,415
- Other borrowings	1,890,400	1,600,000
	5,209,730	3,236,415
Unsecured		
- bank loans	7,983,793	11,946,031
- entrusted bank loan from jointly controlled entity(note a)	-	-
- current portion of long term other borrowings	7,112,320	8,387,830
	15,096,113	20,333,861
	20,305,843	23,570,276

22 Loans and borrowings (continued)

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
Non-current		
Secured		
- bank loans (note (a))	5,469,561	4,635,821
- other borrowings (note (b))	2,244,680	3,062,067
- corporate bonds (note (c))	2,972,681	2,960,450
	10,686,922	10,658,338
Guaranteed		
- bank loans (note (a))	290,000	-
- other borrowings (note (b))	320,000	320,000
	610,000	320,000
Unsecured		
- bank loans (note (a))	13,882,962	8,324,630
- other borrowings (note (b))	14,532,594	4,629,444
- corporate bonds (note (c))	2,893,072	2,889,947
	31,308,628	15,844,021
	42,605,550	26,822,359

At 31 December, non-current interest-bearing borrowings and corporate bonds were repayable as follows:

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
After 1 year but within 2 years	35,083,948	19,865,824
After 2 years but within 5 years	7,521,602	6,956,535
	42,605,550	26,822,359

Notes:

(a) Bank loans

The secured bank loans are secured over certain properties held for development and properties under development with aggregate carrying value of RMB8,375 million (2011: RMB3,469 million) or pledged by the shares of interest in certain subsidiaries of the Group.

22 Loans and borrowings (continued)

(b) Other borrowings

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
Current		
Proceeds	9,002,720	9,987,830
Non-current		
Proceeds	16,837,649	8,071,886
Transactions costs	(60,375)	(60,375)
	16,777,274	8,011,511

The secured other borrowings are pledged by the shares of interest in certain subsidiaries of the Group.

(c) Corporate bonds

	30 Jun. 2012 RMB'000	
	Corporatebonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,889,947	2,960,450
Transaction costs amortised	3,125	12,231
Carrying value at 30 June	2,893,072	2,972,681

	31 Dec. 2011 RMB'000	
	Corporatebonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,884,022	2,937,122
Transaction costs amortised	5,925	23,328
Carrying value at 30 June	2,889,947	2,960,450

22 Loans and borrowings (continued)

(c) Corporate bonds (continued)

In September 2008, the Company issued two series of corporate bonds, namely the "No. 101688 Bonds" and the "No. 101699 Bonds", amounting to RMB 5,900 million. Both Bonds are listed on the Shenzhen Stock Exchange.

The No. 101688 Bonds are with no guarantee and interest bearing at 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 maximum of 100 basis 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 arrears on 6 September 2012 and 2013. None of the No. 101688 Bonds were early redeemed by the bondholders on 6 September 2011.

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 5.5% per annum payable in arrears on 6 September 2009, 2010, 2011, 2012 and 2013.

23 Financial derivatives

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Interest rate swaps	19,313	17,042

24 Trade and other payables

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
Trade creditors and bills payable	28,956,926	29,777,063
Other payables and accruals	25,617,424	24,464,680
Dividends payable	1,429,377	-
Amounts due to associates	903,917	1,873,455
Amounts due to jointly controlled entities	1,784,466	1,676,680
Receipts in advance	130,802,008	111,075,180
Gross amount due to customers for contract work	62,786	26,538
	189,556,904	168,893,596

Included in trade and other payables is retention payable of RMB486 million (2011: RMB300 million) which are expected to be settled after one year.

The amounts due to associates and jointly controlled entities include an amount of RMB1,349 million which are interest bearing at market rate, unsecured and repayable on demand. The interest expenses to these associates and jointly controlled entities amounted to RMB31 million in 2012. The remaining amounts due to associates and jointly controlled entities are unsecured, interest free and repayable on demand.

25 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	30 Jun. 2012 RMB'000	*31 Dec. 2011* RMB'000
CIT	1,509,817	2,423,046
LAT	5,709,244	5,820,201
	7,219,061	8,243,247

LAT 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 Group 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 LAT, the provisions have been recorded as current liabilities as at 30 June 2012 and 31 December 2011.

25 Income tax in the statement of financial position (continued)

(b) Deferred tax assets

Deferred tax assets are attributable to the items set out below:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Tax losses	1,109,835	815,046
Bad debt provision and write-down of inventories	49,930	28,265
Accruals for construction costs	203,989	197,070
Accrual for LAT	1,129,706	1,076,034
Other temporary differences	273,936	209,827
	2,767,396	2,326,242

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

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Tax losses	951,349	778,467
Other temporary differences	86,430	80,653
	1,037,779	859,120

The tax losses expire between 2012 and 2017. The deductible temporary differences will not expire the under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(c) Deferred tax liabilities

Deferred tax liabilities are attributable to the items set out below:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Fair value adjustments on available-for-sale securities	-	9,124
Fair value adjustments arising from business combinations	978,438	1,010,306
Other temporary differences	112,445	85,332
	1,090,883	1,104,762

25 Income tax in the statement of financial position (continued)

(d) Movements in deferred taxation, net:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
At 1 January	1,221,480	557,054
Transferred to consolidated income statement (9(a))	445,909	673,550
Recognised in other comprehensive income (10(a))	9,124	(9,124)
At 30 June	1,676,513	1,221,480

26 Provisions

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Balance at 1 January	38,678	41,107
Provisions made during the year	22,200	10,524
Provisions used during the year	(2,974)	(12,953)
Balance at 30 June	57,904	38,678

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

27 Other non-current liabilities

The balance mainly represents the amounts that hold on behalf of the owners committees in the property management sector.

28 Equity settled share-based transactions

The Group has a share option scheme which was adopted on 25 April 2011 whereby the senior management and key staff of the Group are granted certain options at nil consideration to subscribe for an aggregate of 110,000,000 A shares of the Company. The key management are granted with 33,000,000 A shares. 40% of the options vest after one year (30% after two years and the remaining 30% after three years) from the date of grant and are then exercisable within a period of two years. Each option gives the holder the right to subscribe for one A share of the Company.

(a) The number and weighted average exercise prices of share options are as follows:

	2012 Jan.-Jun. Number '000
Outstanding at the beginning of the year	101,368
Granted during the year	
Forfeited during the year	(5,129)
Outstanding at the end of the year	96,239
Exercisable at the end of the year	-

No share options were exercised during the year.

(b) Terms of unexpired and unexercised share options at the end of the reporting period:

	Exercise price RMB*	*30 Jun.2012 Number '000*
25 April 2012 to 24 April 2014	8.66	39,419
25 April 2013 to 24 April 2015	8.66	28,410
25 April 2014 to 22 April 2016	8.66	28,410
		96,239

* The original exercise price is RMB8.89. The exercise price was adjusted to RMB8.66 after declaration of dividend of RMB0.13 per share during the year in accordance with the terms and conditions of the share option scheme.

28 Equity settled share-based transactions (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial model.

Fair value of share options and assumptions	*2011*
Fair value at measurement date (RMB'000)	294,050
Share price	RMB8.52
Exercise price	RMB8.89
Expected volatility	45%-50%
Option life	5 years
Risk-free interest rate	3.20-3.43%

The expected volatility is based on the historic volatility of the Company's A share. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a performance condition. This condition has not been taken into account in the grant date fair value measurement of the services provided. There was no market condition associated with the share options.

29 Capital, reserves and dividends

(a) Share capital:

	30 Jun.2012 RMB'000	*31 Dec.2011* RMB'000
Authorised, issued and fully paid:		
A shares of RMB1 each	9,680,255	9,680,255
B shares of RMB1 each	1,314,955	1,314,955
	10,995,210	10,995,210

Included in the A shares are 18,218,720 shares (2011: 18,426,384 shares) with restriction to transfer.

The holders of A and B shares 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. All A and B shares rank equally with regard to the Company's residual assets.

There was no movement in share capital during 2011 and 2012.

29 Capital, reserves and dividends (continued)

(b) Nature and purpose of reserves

(i) Share-based compensation reserve

The share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(ii) Statutory reserves

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.

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 six months ended 30 June 2012, the Company transferred RMB nil (2011: RMB437,289,000), being nil of the Company's current year's net profit as determined in accordance with the PRC accounting rules and regulations, to this reserve.

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 2012, the directors proposed to transfer RMB nil (2011: RMB2,623,732,000), being nil (2011: 60%) of the Company's current year's net profit as determined in accordance with the PRC accounting rules and regulations, to this reserve.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

29 Capital, reserves and dividends (continued)

(b) Nature and purpose of reserves (continued)

(iv) Other reserves

Other reserves are mainly resulted from transactions with owners in their capacity as owners, fair value movement of available-for-sale securities and a share award scheme in prior years. The movement for the six months ended 30 June 2012 mainly represents the difference between the fair value and book value of the acquirees' net assets at the dates of acquisitions of non-controlling interests and fair value movement of available-for-sale securities.

(c) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the year

	2012	*2011*
	RMB'000	RMB'000
Dividend to be proposed at the Company's forthcoming annual general meeting of RMB nil (2011: RMB0.13 per share)	-	1,429,377

The dividend to be proposed at the Company's forthcoming annual general meeting has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	*2011*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved or paid during the year, of RMB0.13 per share (2011: RMB0.10 per share)	1,429,377	1,099,521

29 Capital, reserves and dividends (continued)

(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 products and services 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 light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Company. Net debt is calculated as total loans and borrowings less cash and cash equivalents and pledged deposits. The gearing ratio at 30 June 2012 and 31 December 2011 is calculated as follows:

	30 Jun.2012 RMB'000	*31 Dec. 2011* RMB'000
Loans and borrowings	62,911,393	50,392,635
Less: Cash and cash equivalents	(45,719,728)	(33,614,112)
Pledged deposits	(1,292,461)	(625,403)
Net debt	15,899,204	16,153,120
Total equity	69,833,973	67,832,539
Gearing ratio	22.8%	23.8%

30 Financial risk management and fair values

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

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged deposits, 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.

Cash and cash equivalents and pledged deposits held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low. The Group sets deposit limits against the financial institutions' credit risks.

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 amounts due from associates and jointly controlled entities, the Group facilitates their capital demand by assessing and closely monitoring their financial conditions and profitability.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

At the end of the reporting period, 19.44% (2011: 15.80%) of the total trade and other receivables was due from the Group's five largest debtors.

Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk.

30 Financial risk management and fair values (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its 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 long terms.

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

	30 Jun. 2012				
	Carrying amount RMB'000	*Total contractual undiscounted cash flow* RMB'000	*Within 1 year or on demand* RMB'000	*More than 1 year but less than 2 year* RMB'000	*More than 2 years but less than 5 years* RMB'000
Bank and other loans	57,045,640	63,838,912	24,371,199	31,303,559	8,164,154
Corporate bonds	5,865,753	6,329,333	368,000	5,961,333	-
Trade creditors and accruals	61,037,272	61,132,258	60,446,100	541,084	145,074
Financial derivatives	19,313	19,313	19,313	-	-
Accrued interest	510,994	510,994	510,994	-	-
Other non-current liabilities	14,669	14,669	-	-	14,669
Total	124,493,641	131,845,479	85,715,606	37,805,976	8,323,897

	31 Dec.2011				
	Carrying amount RMB'000	*Total contractual undiscounted cash flow* RMB'000	*Within 1 year or on demand* RMB'000	*More than 1 year but less than 2 year* RMB'000	*More than 2 years but less than 5 years* RMB'000
Bank and other loans	44,542,238	49,385,740	26,075,856	15,112,360	8,197,524
Corporate bonds	5,850,397	6,513,333	368,000	6,145,333	-
Trade creditors and accruals	61,684,798	61,728,874	61,025,998	461,086	241,790
Financial derivatives	17,042	17,042	17,042	-	-
Accrued interest	272,299	272,299	272,299	-	-
Other non-current liabilities	11,798	11,798	-	-	11,798
Total	112,378,572	117,929,086	87,759,195	21,718,779	8,451,112

30 Financial risk management and fair values (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from its cash and loans and borrowings. Cash and loans and borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate and terms of repayment of the Group's interest bearing borrowings are disclosed in notes 22 to the consolidated financial statements.

Sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates of cash and loans and borrowings of the Group, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity by approximately RMB65 million (2011: RMB50million).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2011.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate loans and borrowings, without taking into account the impact of interest capitalisation.

(d) Currency risk

The Group is exposed to foreign currency risk primarily on cash and cash equivalents and 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, Hong Kong dollars and Japanese Yen.

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.2012	*30 Dec.2011*
	RMB'000	RMB'000
United States Dollars	1,590,180	967,212
Hong Kong Dollars	9,953.00	12,681
Japanese Yen	-	1,384

30 Financial risk management and fair values (continued)

(d) Currency risk (continued)

Loans and borrowings denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun.2012	*30 Dec.2011*
	RMB'000	RMB'000
United States Dollars	4,034,296	4,503,506

Sensitivity analysis

Based on the assumption that Hong Kong Dollars continue to be pegged to United States Dollars, management estimated that a 10% appreciation/depreciation of United States Dollars/Hong Kong Dollars against Renminbi would not have a material effect on the Group's profit and the Group's equity would be decreased/increased by approximately RMB436 million (2011: RMB370 million). Management estimated that the change in exchange rate of Japanese Yen would not have material impact on the Group's profit and equity for both 2011 and 2012.

The analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables remain constant.

30 Financial risk management and fair values (continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

30 Jun.2012
In millions of RMB

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sales equity securities	-	-	5	5
	-	-	5	5
Liabilities				
Interest rate swaps	(19)	-	-	(19)
	(19)	-	-	(19)

31 Dec.2011
In millions of RMB

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sales equity securities	-	-	436	436
	-	-	436	436
Liabilities	(17)	-	-	(17)
Interest rate swaps	(17)	-	-	(17)

31 Commitments

(a) Capital commitments outstanding at 30 June 2012 not provided for in the financial statements were as follows:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Construction and development contracts	*35,183,190*	32,200,196
Land agreements	*5,363,394*	7,963,627
	40,546,584	40,163,823

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

(b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 Jun. 2012	*31 Dec. 2011*
	RMB'000	RMB'000
Within 1 year	28,547	31,478
After 1 year but within 2 years	21,015	18,877
After 2 year but within 3 years	19,149	16,407
After 3 years	74,519	80,223
	143,230	**146,985**

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, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

32 Contingent liabilities

As at the end of the reporting period, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB29,862 million (2011: RMB25,554 million), including guarantees of RMB29,759 million (2011: RMB25,409 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 (2011: RMB145 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

32 Contingent liabilities (continued)

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.

In addition, the Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

33 Material related party transactions

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

Associates	(note 14, 19 & 24)
Jointly controlled entities	(note 15, 19 & 24)
Key management personnel	(see note (c) below)

(b) Loan from a related party

The details of the loan from a related party are as follows:

	Loan balance as at 30 June 2012	Interest incurred for the six months ended 30 June 2012
	RMB'000	RMB'000
China Resources SZITIC Trust Co.Ltd(the "Trust")	4,000,000	155,561

The Trust is a subsidiary of China Resources Co., Limited ("CRC"). CRC holds the largest percentage of the share of interest in the Company among all shareholders.

The loan bears interest that is not higher than other trust loans borrowed during the year from independent third parties, is unsecured and repayable on 13 December 2013.

33 Material related party transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Short-term employee benefits	5,683	5,859

Total remuneration is included in "staff costs" (see note 8(b)).

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:

	2012 Jan. – Jun. RMB'000	*2011 Jan. – Jun.* RMB'000
Sales of properties to the key management personel	10,509	16,812
Related cost of sales	(3,826)	(9,677)
Gross profit	6,683	7,135
Estimated fair value of the properties sold to the key mangement personnel	11,574	18,989

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

34 Acquisitions of subsidiaries

During the year, the Group has acquired certain subsidiaries which hold property development projects. Acquisitions of these subsidiaries enable the Group to expand its land banks. Acquisitions of major subsidiaries by the Group during the year are summarised as follows:

Date of acquisition	*Name of subsidiaries acquired*	*Percentage of equity interest acquired*	*Consideration*
9 January 2012	Xinjiang Dade Property Development Co., Ltd.	100%	RMB 39,220,000
16 January 2012	Credible Ivestment Development Co., Ltd.	100%	USD 11,962,243
5 January 2012	Airwell air condition(China) Co., Ltd.	65%	RMB 214,500,000
23 April 2012	Wise Grow Group Limited	100%	USD 34,779,708
23 April 2012	Tian Cheng(Holdings) Investments Limited	100%	USD 20,633,620
23 April 2012	Bonus Plus Holdings Limited	100%	USD 23,583,229
5 May 2012	Guiyang Henghuayuan Property Development Co., Ltd (note 1)	51%	RMB 5,100,100
7 May 2012	DongguanWandu Property Development Co., Ltd.	100%	RMB 10,000,000
15 June 2012	Changchun Vanke Jincheng Property Development Co., Ltd.	90%	RMB 207,000,000
25 June 2012	Shanxi Zhongdu Property Development Co., Ltd	95%	RMB 9,500,000

34 Acquisitions of subsidiaries (continued)

Note 1: Renamed was Guiyang Vanke Yuantong Property Development Co., Ltd.

The acquisitions of these subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

The above subsidiaries contributed an aggregate turnover of RMB184,835 million and profit attributable to the equity shareholders of the Company of RMB6,990 million to the Group for the six months ended 30 June 2012. Should the acquisitions had occurred on 1 January 2012, the consolidated turnover and the consolidated profit attributable to the equity shareholders of the Company for the six months ended 30 June 2012 would have been RMB332,682 million and RMB15,003 million respectively.

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.

35 Disposal of a subsidiary

There was no subsidiary disposal during 31 December 2011 and 30 June 2012.

36 Non-adjusting post balance sheet events

Dividend payable to equity shareholders of the Company attributable to the previous financial year was paid on 5 July 2012. Further details are disclosed in note 29(c).

37 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2012

Up to date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the six months ended 30 June 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 9, *Financial instruments*	1 January 2013
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013

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

39 Principal subsidiaries

Name of company	*Place of establishment and operation*	*Registered capital*	*Ownership interest*	*Principal activities*
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	Property development
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	Property development
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	Property development
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	100%	Property development
Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	Property development
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB1,000,000,000	100%	Property development
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	Property development
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	Property development
Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	Property development
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB300,000,000	100%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	Property development
Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	Property development
Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	Property development
Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	Property development
Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	95%	Property development
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100%	Property development
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	Property development
Hainan Vanke Property Development Company Limited	Hainan	RMB10,000,000	100%	Property development

39 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Registered capital*	*Ownership interest*	*Principal activities*
Shanghai Vanke Investment and Management Company Limited	Shanghai	RMB204,090,000	100%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	99.80%99.8%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	Property development
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	Property development
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	Property development
Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	Property development
Nanjing Jinyu Blue Bay Property Company Limited	Nanjing	RMB90,000,000	100%	Property development
Wuxi Vanke Real Estate Company Limited	Wuxi	RMB300,000,000	60%	Property development
Wuxi Wansheng Real Estate Development Company Limited	Wuxi	USD49,200,000	100%	Property development
Wuxi Dongcheng Real Estate Company Limited	Wuxi	USD149,400,000	100%	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	Property development
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	Property development
Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	Property development
Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	Property development
Hangzhou Hotel Management Company Limited	Hangzhou	RMB10,000,000	100%	Property development
Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	Property development
Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	Property development

39 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Registered capital*	*Ownership interest*	*Principal activities*
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	Property development
Ningbo Jiangbei Vanke Property Development Company Limited	Ningbo	RMB675,000,000	100%	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB2,000,000,000	100%	Property development
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	Property development
Beijing Vanke Zhongliang Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	Property development
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB455,000,000	60%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB30,000,000	100%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	100%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB30,000,000	100%	Property development
Tianjin Wanfu Investment Company Limited	Tianjin	RMB192,000,000	100%	Property development
Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100%	Property development
Shenyang Vanke Tianqinwan Property Company Limited	Shenyang	USD99,980,000	55%	Property development
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100%	Property development
Shenyang Vanke Jinyu Blue Bay Property Development Company Limited	Shenyang	RMB578,150,000	100%	Property development
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	Property development
Dalian Vanke City Real Property Company Limited	Dalian	USD42,000,000	55%	Property development
Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	Property development
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	Property development
Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	Property development
Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	Property development
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	100%	Property development

39 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Registered capital*	*Ownership interest*	*Principal activities*
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	Property development
Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	85%	Property development
Wuhan Vanke Real Estate Company Limited	Wuhan	RMB150,000,000	100%	Property development
Wuhan Vanke Tiancheng Real Estate Company Limited	Wuhan	USD12,100,000	55%	Property development
Wuhan Guohao Property Company Limited	Wuhan	RMB10,000,000	55%	Property development
Wuhan Wangjiadun Morden City Property Company Limited	Wuhan	RMB200,000,000	100%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,000,000	51%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB200,000,000	100%	Property development
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB100,000,000	100%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100%	Property development
Nantong Vanke Real Estate Company Limited	Nantong	RMB8,000,000	100%	Property development
Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	Property development
Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	Property development
Yantai Vanke Property Development Co., Ltd.	Yantai	RMB30,000,000	100%	Property development
Taiyuan Vanke Real Estate Company Limited	Taiyuan	RMB60,000,000	100%	Property development
Xinjiang Vanke Real Estate Company Limited	Urumqi	RMB100,000,000	100%	Property development
Yangzhou Wanwei Property Company Limited	Yangzhou	RMB550,000,000	65%	Property development
Jiaxing Vanke Property Development Co., Ltd.	Jiaxing	RMB100,000,000	100%	Property development
Tangshan Vanke Property Development Co., Ltd.	Tangshan	RMB200,000,000	100%	Property development
Fushun Vanke Property Development Co., Ltd.	Fushun	RMB10,000,000	100%	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.