China Vanke Co., Ltd.
2010 Interim Report
(For the six months ended 30 June 2010)

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.

Director Wang Yin 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. Independent Director Judy Tsui Lam Sin Lai was not able to attend the board meeting in person due to her business engagements and had authorised Independent Director David Li Ka Fai to represent her and vote on her behalf at the board meeting. Independent Director Charles Li 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 behalf of him 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 is warranted to be true and complete.

I. Basic Corporate Information

1. Company Name (Chinese): 万科企业股份有限公司 (“万科”)
   Company Name (English): China Vanke Co., Ltd. (“Vanke”)
2. Registered address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Office address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Postal code: 518083
   Website: www.vanke.com
   E-mail address: IR@vanke.com
3. Legal representative: Wang Shi
4. Secretary of the Board: Tan Huajie
   E-mail address: IR@vanke.com
   Securities Affairs Representative: Liang Jie
   E-mail address: IR@vanke.com
   Contact Address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People’s Republic of China
   Telephone number: 0755-25606666
   Fax number: 0755-25531696
5. Media for disclosure of information: “China Securities Journal”, “Securities Times”, “Shanghai Securities News” and an English medium in Hong Kong.
   Website for publication of interim reports: 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）

Financial Indicators	Jan.-Jun. 2010	Jan.-Jun. 2009	Change（+/-）
Revenue	15,816,254,224	20,553,477,931	-23.05%
Profit from operating activities	4,759,015,616	4,564,464,977	4.26%
Profit before income tax	4,840,884,715	4,497,394,176	7.64%
Profit attributable to equity shareholders	2,812,498,573	2,524,392,406	11.41%
Basic EPS	0.26	0.23	13.04%
Diluted EPS	0.26	0.23	13.04%
Return on equity	7.07%	7.31%	Down by 0.24 percentage point
Net cash generated from operating activities	(9,514,421,179)	9,821,584,634	-196.87%
Net cash generated from operating activities per share	(0.87)	0.89	-197.75%

Financial Indicators	30-Jun-10	31-Dec-09	Change（+/-）
Current assets	152,924,799,637	130,742,083,769	16.97%
Current Liabilities	85,884,688,461	68,058,279,848	26.19%
Total assets	160,875,948,287	138,027,359,150	16.55%
shareholder's equity	39,772,953,744	37,375,888,061	6.41%
Net assets per share	3.62	3.40	6.47%

(2) Difference between IFRSs and PRC accounting standards on net profit and eqity（Unit: RMB）

Item	Prepared in accordance with IFRS	Prepared in accordance with PRC Accounting Standards
Net profit attributable to equity shareholders of the Company	2,812,498,573	2,812,498,573
Equity attributable to equity shareholders of the Company	39,772,953,744	39,772,953,744
Remarks on the differences	There is no difference.	

II. Change in Share Capital and Shareholdings of Major Shareholders

1. Change in Share Capital (as at 30 June 2010)

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	24,159,840	0.22%	+15,000	24,174,840	0.22%
4. Shares held by foreign investors					
Total number of restricted shares	**24,159,840**	**0.22%**	**+15,000**	**24,174,840**	**0.22%**
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,656,094,910	87.82%	-15,000	9,656,079,910	87.82%
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	**10,971,050,378**	**99.78%**	**-15,000**	**10,971,035,378**	**99.78%**
III. Total Number of Shares	**10,995,210,218**	**100.00%**	**0**	**10,995,210,218**	**100.00%**

Note: Since the Company's shares held by the newly elected supervisors are subject to regulation in accordance with the relevant requirements, there has been an increase in the Company's restricted tradable shares.

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 2010)

Unit: Share

Total number of shareholders	1,492,336 (including 1,456,960 holders of A shares and 35,376 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**
CRC	State-owned legal person	14.73%	1,619,094,766	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (易方达深证100交易型开放式指数证券投资基金)	Others	1.44%	158,408,257	0	0

Gaohua – HSBC – Goldman Sachs & Co	Others	1.26%	138,188,110	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
China Life Insurance Company Limited– Dividend Distribution– Individual Dividend- 005L-FH002 Shen	Others	1.02%	111,741,448	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund (融通深证100指数证券投资基金)	Others	0.95%	104,453,413	0	0
Morgan Stanley & Co. International PLC	Others	0.90%	98,484,131	0	0
HTHK/CMG FSGUFP-CMG First State China Growth FD	Foreign shareholder	0.84%	92,825,068	0	0
Toyo Securities Asia Limited-A/C Client	Foreign shareholder	0.78%	86,135,044	0	0
UBS AG	Others	0.63%	69,747,105	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)
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (易方达深证100交易型开放式指数证券投资基金)	158,408,257	Ordinary RMB-denominated shares (A shares)
Gaohua – HSBC – Goldman Sachs & Co	138,188,110	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
China Life Insurance Company Limited– Dividend Distribution– Individual Dividend- 005L-FH002 Shen	111,741,448	Ordinary RMB-denominated shares (A shares)
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund (融通深证100指数证券投资基金)	104,453,413	Ordinary RMB-denominated shares (A shares)
Morgan Stanley & Co. International PLC	98,484,131	Ordinary RMB-denominated shares (A shares)
HTHK/CMG FSGUFP-CMG First State China Growth FD	92,825,068	Domestic listed foreign shares (B shares)
Toyo Securities Asia Limited-A/C Client	86,135,044	Domestic listed foreign shares (B shares)
UBS AG	69,747,105	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	Nil	

3. Bond holdings of the Company's top 10 bondholders (as at 30 June 2010)

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

No.	Bondholder	No. of bonds held
1	New China Life Insurance Company–Dividend Distribution–Individual Dividend-018L-FH002 Shen	5,548,262
2	China Petroleum Finance Co., Ltd	4,157,662
3	China Pacific Insurance (Group) Co., Ltd.	3,433,312
4	China Life Insurance Company Limited	2,619,042
5	China Ping An Life Insurance Company Limited – Traditional – General Insurance Products	2,218,727

6	China Life Property and Casualty Insurance Company Limited –Traditional – General Insurance Products	1,820,000
7	CNPC Pension Scheme - ICBC	1,010,622
8	China Life Pension Company Limited – Internal Resources	1,000,000
9	China Property & Casualty Reinsurance Company Ltd.	776,162
10	Ping An Property and Casualty Insurance Company of China –Investment-oriented Insurance Products	751,630

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

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

No.	Bondholder	No. of bonds held
1	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients(工银瑞信基金公司—工行—特定客户资产)	2,385,995
2	ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund	2,346,450
3	China National Machinery Import & Export Corporation	1,946,689
4	206 Portfolio of National Social Security Fund, PRC	1,430,218
5	Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	1,364,700
6	CNPC Pension Scheme - ICBC	972,256
7	801 Portfolio of National Social Security Fund, PRC	959,778
8	China AMC Growth Securities Investment Fund	935,737
9	Harvest Stable Growth Open-end Securities Investment Fund	709,998
10	UBS AG	660,308

Note: "ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients" and "ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund" are managed by ICBC Credit Suisse Asset Management Co., Ltd. Apart from the above-mentioned relationship, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

4. Changes in controlling shareholder and beneficial controller

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

III Directors, Members of Supervisory Committee, Senior Management

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

(Unit: shares)

Name	Capacity	31-Dec-09	30-Jun-10
Wang Shi	Chairman	6,817,201	6,817,201
Yu Liang	Director, President	4,106,245	4,106,245
Ding Fuyuan	Chairman of the Supervisory Committee	2,018,408	2,018,408
Sun Jianyi	Director	692,236	692,236
Liu Aiming	Executive Vice President	1,650,978	1,650,978
Ding Changfeng	Executive Vice President	1,487,660	1,487,660
Xie Dong	Executive Vice President	1,487,660	1,487,660
Zhang Jiwen	Executive Vice President	1,548,950	1,548,950
Mo Jun	Executive Vice President	1,548,950	1,548,950
Xu Hongge	Executive Vice President	1,650,978	1,650,978
Shirley L. Xiao	Director, Executive Vice President	1,446,849	1,446,849

Wang Wenjin	Executive Vice President	1,343,591	1,343,591
Zhou Qingping	Member of the Supervisory Committee	20,000	20,000

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

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

During the reporting period, Mr Zhou Qingping was elected by the Company's Staff Committee as the Staff Representative Supervisor, Mr Ding Fuyuan and Mr Wu Ding were elected as Supervisor by the Company's 2009 Annual General Meeting.

During the reporting period, Mr Song Lin resigned as Director and Deputy Chairman of the Board. The Board nominated Mr Qiao Shibo as Director candidate and Mr Zhang Liping as independent Director candidate.

IV Directors' Report

1. Management Discussion and Analysis

Changes in operating environment and the Company's judgement

During the reporting period, there were drastic changes in the market environment. From January to April 2010, the sales area and sales amount of commodity housing in the PRC increased by 30.3 per cent and 51.5 per cent from those of the same period last year respectively. The market continued the growth momentum seen in 2009. However, in response to the "Notice regarding determination to curb rapidly rising housing price in certain cities" promulgated by the State Council in the middle of April, the sales area and sales amount of commodity housing in the PRC in May and June dropped by 5.9 per cent and 11.1 per cent respectively from those of the same period of last year. With respect to the 14 major cities closely monitored by China Vanke, the sales area and sales amount of commodity housing decreased by 62.4 per cent and 59.8 per cent from those of the same period of the previous year respectively. By looking at the properties transacted, investment property demand was dwindling, and the sales of large and high-end commodity housing had significantly slowed down, while the proportion of small to medium sized ordinary commodity housing had further increased. In addition, the housing price in certain cities, where investment demand accounted for a larger percentage and the price increased too fast previously, showed signs of weakening.

Compared with those of recent years, the current inventory levels of new housing units in most of the cities remain low. However, as a result of the slide in sales, the decline in new home inventory in major cities that has continued since the market recovery in 2009 has started to end. In June, the sales area of commodity housing to approved pre-sales area of new housing ratio of the 14 major cities closely monitored by the Company dropped to less than 1, which was the lowest since January 2009. With the peak season for launching new properties in the second half of 2010, it is expected that the rise in the inventory level of new properties available for sale will speed up.

During the first half of 2010, the floor area commencing construction and investment amount for development of commodity housing in the PRC continued to increase by 65.4 per cent and 34.4 per cent respectively when compared with those of the same period last year. From past experiences, the adjustment in floor area commencing construction and investment for development generally lags behind the change in transaction volume. Slow trading activities and rising inventory level may put pressure on property developers in respect of inventory and capital shortage, which will hinder the investment ability of the developers. This in turn will slow down land acquisition and new construction activities, thereby affecting the housing supply in the subsequent year.

In respect of the land market, although there was no change in land supply between the first and second quarters, the area of land sold declined significantly in the second quarter when compared with that of the first quarter. In spite of the fact that the reserve price at land auctions remained high, the average transaction price and premium to reserve price ratio had dropped considerably. With the market restoring rationality, developers had adjusted their overoptimistic expectations for the future and their interest in land purchase waned. In the second quarter, the average land sales price in certain first tier cities dropped significantly, while the second and third tier cities saw relatively small decline in price. In response to the rapidly rising housing price and fierce competition for land in certain popular cities, the Company has since 2009 remained cautious. The prevailing market adjustment, to certain extent, proves the Company is right in its judgement of the land market, and will create favourable conditions for the Company to acquire land in these cities.

Company's operation and management

During the reporting period, the Company strove to consolidate its mainstream market position. With an aim to maintain active transactions, the Company proactively increased sales and achieved satisfactory results. The Company realised accumulative sales area of 3,202,000 sq m, with sales amounting to RMB36.77 billion, which was up by 19.5 per cent from that in the same period of the previous year. As at the end of the reporting period, the Company's sales accounted for 2.18 per cent of commodity housing sales in the entire country. In terms of market share, the Company's rankings in 15 cities rose when compared with those in 2009. The Company climbed to first in the rankings in Beijing, Tianjin and Qingdao, and remained top of the rankings in Shenzhen, Wuxi, Shenyang, Wuhan and Zhenjiang.

Completion dates vary with each property project. At the beginning of the year, the Company had planned to complete a floor area of 5,040,000 sq m for the full year. As at the end of June 2010, the actual floor area completed amounted to 1,280,000 sq m, accounting for only 25.4 per cent of the planned floor area completed for the entire year. As a result, the Company's booked area and booked revenue during the reporting period amounted to 1,505,000 sq m and RMB15.52 billion respectively, representing decreases of 39.4 per cent and 23.9 per cent from those of the same period last year respectively. The Company's revenue amounted to RMB15.82 billion, representing a decrease of 23.1 per cent from that of the same period last year. Most of the Company's projects will be completed in the second half of the year. With the gradual completion and recognition of these projects, it is expected that the booked revenue and revenue in the second half of 2010 will grow significantly when compared to those in the first half of the year.

As a large number of units sold during the tough period in 2008 were booked in the interim period of 2009, the profit margin for the 2009 interim period was at its lowest in recent years. Putting this into perspective, the net profit in the first half of 2010 was higher than that of the same period last year. During the reporting period, the Company's net profit amounted to RMB2.81 billion, representing an increase of 11.4 per cent from that of the same period of the previous year.

In the first half of the year, the Company's sales went well, but not many of the properties sold were recognised, leading to a significant growth in properties sold but not yet booked. As at the end of the reporting period, there was an area of 5,300,000 sq m sold but not yet booked, with an aggregate contract amount of approximately RMB57.3 billion, representing increases of 41.3 per cent and 50.0 per cent respectively when compared to those at the beginning of the year. This has laid a solid foundation for growth in operating results in the future.

During the reporting period, gross margin of the Company's property business was 31.94 per cent, up by 5.93 percentage points from that of the same period of previous year. Owing to the time lag in revenue recognition in the property industry, the rise in gross margin mainly reflected the rebound in project margin brought by market recovery in 2009. To a certain extent, the increase in gross margin also reflected the results of the Company's efforts to control cost and improve profitability in recent years.

According to the latest market and sales conditions, the Company made an assessment during the reporting period of the projects for which provisions for diminution in value had been made. Based on the assessment results, the Company reversed the provisions for diminution in value of RMB166.88 million and RMB81.5 million for the Paradiso Project, Nanjing and Haiyue Huicheng Project, Chengdu respectively. The provisions for diminution in value made for the other two projects, namely Golden Lingyu, Chengdu and Golden Rongjun, Fuzhou, remained unchanged.

As at the end of the reporting period, among the Company's different types of inventories, completed properties (completed properties ready for sale) accounted for approximately 4.7 per cent, indicating a further reduction from 5.9 per cent as at the end of 2009. The inventory structure has therefore further improved.

During the reporting period, the Company continued to leverage the edge of its geographical diversification and control the risks of land acquisition, tried to acquire projects at reasonable price. The new projects that the Company acquired during the first half of the year were mostly located in the second and third tier cities of the PRC, where growth in housing price and land price was relatively less significant. The Company entered the new markets of Kunming, Guiyang, Tangshan and Jilin, and acquired a total number of 38 new projects during the reporting period. The planned GFA of the newly added projects attributable to China Vanke's equity holding amounted to 8.93 million sq m. The average accommodation value of the newly added projects continued to remain at a relatively low level of around RMB2,300. The Company will keep an eye on any opportunities possibly arising from market adjustment, especially the opportunities for acquiring projects in first tier cities at reasonable prices.

In the second half of 2009, the Company warned that housing prices in certain popular cities had grown too fast and took into consideration of possible market adjustments in its plan for newly commenced construction for 2010. As such, the Company did not have to consider adjusting its plan for newly commenced projects even though there had been drastic changes in the market environment during the reporting period. The development of the Company's projects is currently progressing according to schedule and construction of certain newly added projects acquired during the year will commence in 2010.

As at the end of the reporting period, the cash and cash equivalents held by the Company further increased to RMB19.11 billion from RMB17.92 billion as at the end of the first quarter of 2010. Although the Company's net debt ratio increased from 36.4 per cent in the first quarter of 2010 to 40.8 per cent, it was still relatively low when compared to industry level. The sound financial and capital position is positive for the Company to maintain safe operations under various market conditions and to capture any market opportunities.

During the reporting period, the Company conducted a review and analysis of the market changes and its operation and management experience in the past few years. Based on the results of the review and analysis, the Company will in the second half of the year further fine-tune its development plan and business focus for the next three to fives years. The Company will not only strive to maintain its positioning targeting at the mainstream residential property market, but will also put more emphasis on the improvement of operation efficiency and return on investment.

Following the end of its nation-wide tender offer for building and decorative materials for C-grade furbished units in 2009, the Company during the reporting period carried out its first centralised procurement for standardised materials for Grades A and B furbished units, in order to further expand the scope of standardised product categories. Through research and development of standardised product categories for furbished units and centralising nation-wide tender purchase, the Company expects to better leverage on economies of scale, promote integration of premium resources in the supply chain and become more competitive in decorative materials. The Company will continue to fine-tune certain standardised product categories in all aspects, including product inventory, style, decoration, landscape and functions, provide products with high price performance ratio that fit for the Company's scale of development and increase operation efficiency and product competitiveness.

During the reporting period, the World Expo, Shanghai unveiled, welcoming visitors from all over the world. Up to the present, visitor arrivals to China Vanke Pavilion at the Expo reached approximately 600,000. The high recognition and accolade from the government, media, peer companies and tourists further improved the brand image of China Vanke. Under the backdrop of low carbon economy, China Vanke Pavilion, being the Company's important platform to promote green ideology, can help the Company to improve brand awareness and competitiveness in green architecture and propel the Company to complete its transformation into a green enterprise.

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 sales area and sales revenue of the Company amounted to 3,202,000 sq m and RMB36.77 billion respectively.

Since completion dates vary with each property project, the actual floor area completed between January and June 2010 amounted to 1,280,000 sq m, accounting for only 25.4% per cent of the planned floor area completed of 5,040,000 sq m for the full year. As a result, the booked area and booked revenue of the Company's property projects in the first half of 2010 were 1,505,000 sq m and RMB15.52 billion respectively, representing decreases of 39.4 per cent and 23.9 per cent respectively when compared with those of the corresponding period of the previous year. The gross margin from the property business was 31.94 per cent, up by 5.93 percentage points from that of the same period last year.

（Unit:RMB’000）

Sector	Revenue		Cost of sales		Gross margin	
	Amount	Change	Amount	Change	%	Change
Property sales	15,516,559.89	-23.90%	9,812,363.07	-33.27%	31.94	Up by 5.93 percentage point
Property management	299,694.33	83.20%	234,526.38	73.23%	21.74	Up by 4.50 percentage point
Total	**15,816,254.22**	**-23.05%**	**10,046,889.45**	**-32.30%**	**31.75**	**Up by 5.81 percentage point**

Note: Gross margins are calculated after land appreciation tax.

(2) Comparison of major assets and liabilities and operating metrics (Unit: RMB’000)

Item	30-Jun-10	31-Dec-09	Change (+/-)	Reasons for change
Investment properties	124,381.46	228,143.16	-45.48%	Disposal of subsidary
Interest-bearing borrowings(Current liabilities)	13,416,327.82	8,628,670.48	55.49%	Change in debt structure
Trade and other payables	68,331,120.74	55,244,411.87	23.69%	Increase in investment for the development of projects with associates and jointly controlled entities
Item	**Jan-Jun 2010**	**Jan-Jun 2009**	**Change (+/-)**	**Reasons for change**
Revenue	15,816,254.22	20,553,477.93	-23.05%	Difference in booked time of property development
Cost of sales	10,046,889.45	14,840,848.43	-32.30%	Difference in booked time of property development
Other income	206,654.65	53,561.48	285.83%	Income from disposal of certain finacial ass ets
Financial income	373,600.88	134,732.21	177.29%	Increase in dividends from investment of cost method
Share of profits less losses of jointly controlled entities	76,772.07	(18,330.04)	518.83%	More profits recognised from jointly controlled entities
Profit attributable to equity shareholders of the Company	2,812,498.57	2,524,392.41	11.41%	Net profit increased in the reporting period

（3）Analysis of the core businesses by geographical regions

The revenue and profits from the core operations of the property business by geographical regions during the reporting period are as follows:

	Revenue（RMB'000）	Change(%)	Netprofit（RMB'000）	Change(%)	BookedArea（'000sqm）	Change(%)
Pearl River Delta Region						
Shenzhen	2,771,200.47	17.86%	593,575.20	20.25%	146.86	9.76%
Guangzhou	467,615.11	3.01%	18,236.17	0.62%	38.70	2.57%
Dongguan	467,201.90	3.01%	95,285.18	3.25%	45.78	3.04%
Foshan	803,059.75	5.18%	241,258.81	8.23%	111.90	7.43%
Hainan	187,140.59	1.21%	20,504.26	0.70%	5.94	0.39%
others	73,155.50	0.47%	1,075.95	0.04%	5.35	0.36%
Sub-total	**4,769,373.32**	**30.74%**	**969,935.57**	**33.09%**	**354.52**	**23.55%**
Yangtze River Delta Region						
Shanghai	3,416,177.73	22.01%	701,611.32	23.94%	252.02	16.74%

Suzhou	708,693.14	4.57%	88,979.38	3.04%	57.68	3.83%
Hangzhou	1,336,623.70	8.61%	287,463.92	9.81%	125.50	8.34%
Nanjing	166,918.84	1.08%	101,090.73	3.45%	18.93	1.26%
Ningbo	1,008,181.20	6.50%	343,279.53	11.71%	109.52	7.28%
Wuxi	318,746.50	2.05%	3,009.81	0.10%	47.58	3.16%
others	79,498.89	0.52%	23,223.58	0.80%	17.19	1.14%
Sub-total	**7,034,839.99**	**45.34%**	**1,548,658.27**	**52.85%**	**628.41**	**41.75%**
Bohai-rim Region						
Beijing	1,088,106.86	7.01%	96,841.88	3.30%	139.01	9.24%
Tianjin	236,833.34	1.53%	33,794.67	1.15%	19.97	1.33%
Shenyang	541,392.54	3.49%	93,541.83	3.19%	90.10	5.99%
others	145,717.23	0.93%	(43,294.48)	-1.48%	22.47	1.48%
Sub-total	**2,012,049.97**	**12.96%**	**180,883.90**	**6.16%**	**271.56**	**18.04%**
Central and Western Region						
Chengdu	400,457.60	2.58%	69,696.34	2.38%	69.95	4.65%
Wuhan	923,904.34	5.95%	134,012.37	4.57%	127.83	8.49%
Xian	286,394.26	1.85%	41,500.26	1.42%	41.65	2.77%
others	89,540.42	0.58%	(13,812.03)	-0.47%	11.34	0.75%
Sub-total	**1,700,296.62**	**10.96%**	**231,396.95**	**7.90%**	**250.76**	**16.66%**
Total	**15,516,559.89**	**100.00%**	**2,930,874.69**	**100.00%**	**1,505.25**	**100.00%**

Note: "Others" under Pearl River Delta Region includes Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou; "Others" under Yangtze River Delta Region includes: Nanchang, Zhenjiang, Hefei; "Others" under Bohai-rim Region includes: Dalian, Qingdao, Yantai, Taiyuan, Changchun; "Others" under Central and Western Region includes: Chongqing, Guiyang, Kunming. Anshan was included in Shenyang .

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, on 22 August 2007, the Company published the prospectus for the public issue of A shares. 317,158,261 A shares (with a nominal value of RMB1 per share) were issued at an issue price of RMB31.53 per share. The total proceeds raised from the public issue were RMB9,999,999,969.33. After deducting the issue expenses of RMB63,398,268.11, the net proceeds amounted to RMB9,936,601,701.22, which were received on 30 August 2007 and were certified and filed under Shennan Yanzi (2007) No. 155 by Shenzhen Nanfang Minhe CPA (深圳南方民和会计师事务所).

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

(Unit: RMB'000)

Total amount of proceeds		9,936,600	Fund used during the reporting period	48,150			
			Accumulated fund used	9,563,030			
Investment project	Change in project	Planned investment amount	Actual investment made	Investment made during the reporting period	Progress	Estimated profit margin (net margin of the entire project)	Net margin on booked sales
Golden Yazhu, Shanghai (former Zhonglin project)	No	700,000	700,000	0	100%	14.94%	20.00%
Wujiefang Project, Pudong, Shanghai	No	1,200,000	1,050,750	6,150	Construction not yet commenced	10.34%	-
West Spring Butterfly Garden, Hangzhou (former Jiangcun project)	No	700,000	700,000	0	42%	10.12%	18.03%
Liangzhu project, Yuhang District, Hangzhou	No	1,700,000	1,700,000	0	38%	10.29%	15.00%

Golden Town project, Qinzhou District, Ningbo	No	1,636,600	1,636,600	0	90%	11.42%	18.20%
The Dream Town, Foshan (former Nanzhuang project)	No	900,000	900,000	0	45%	17.08%	18.50%
Everest Town, Guangzhou (former Science City H3 project)	No	600,000	600,000	0	100%	9.20%	11.48%
The Paradiso, Guangzhou (former Jinshazhou project)	No	800,000	800,000	0	60%	13.70%	10.41%
Zhuhai Hotel project, Xiangzhou District, Zhuhai	No	650,000	628,340	40,960	22%	11.73%	-
Anpin Street, Baixia District, Nanjing	No	650,000	447,340	1,040	Construction not yet commenced	12.09%	-
Stratford, Nanjing (former Huangjiadun project)	No	400,000	400,000	0	100%	20.54%	11.40%
Total	-	9,936,600	9,563,030	48,150	-	-	-
Remarks on failure to reach progress target and estimated gains (by project)	1. Affected by the government's adjustment in road planning for World Expo, construction of Wujiefang Project in Shanghai did not commence as scheduled. The Company is in the progress of submitting planning reports for approval. It is expected that construction will commence in the fourth quarter of 2010, and the overall development plan will be adjusted according to the progress of the project. The plot ratio and height of Anpin Street Project, Nanjing had to be reduced due to government policy to preserve the old town, affecting the construction commencement schedule and investment return. The Company is in the progress of submitting planning reports for approval. It is expected that construction will commence in the second half of 2010. The overall development plan will be adjusted according to the progress of the project. 2. In view of the current sales progress and market forecast, the earnings to be generated from Stratford project, Nanjing will not reach the estimated level stated in the prospectus. And other investment projects financed by the raised proceeds are expected to have a return rate above the estimated return rate. The overall return from the investment projects financed by the raised proceeds is expected to exceed the estimated level stated in the prospectus.						
Remarks on reasons and procedures for the change (by project)	No change.						
Use of the remaining balance of the proceeds	As at 30 June 2010, the Company had applied RMB9,563,030,000 of the proceeds in accordance with the prospectus. The amount represented 96.24 per cent of the net proceeds of RMB9,936,600,000 . The remaining balance of RMB373,570,000 will be fully used in accordance with the progress of the project development.						

（2）Use of capital not from the capital market

Major equity investment

1）During the reporting period, the Company promoted and established 12 new subsidiaries, each with registered capital of over RMB30 million. The details are as follows:

(Unit:'000)

No.	Newly established company	Currency	Registered capital	Actual investment by China Vanke (RMB)	Scope of business
1	Xi'an Vanke Kaizhou Property Co., Ltd. (西安万科恺洲置业有限公司)	USD	132,000.00	987,074.58	Property development
2	Ningbo Wangang Real Estate Co., Ltd. (宁波万港房地产开发有限公司)	RMB	603,750.00	603,750.00	Property development
3	Shanghai Puhui Property Co., Ltd. (上海浦汇置业有限公司)	RMB	290,000.00	290,000.00	Property development
4	Shenyang Vanke Dongman Property Co., Ltd.(沈阳万科东漫置业有限公司)	USD	70,000.00	229,360.32	Property development
5	Tangshan Vanke Real Estate Co., Ltd. (唐山万科房地产开发有限公司)	RMB	200,000.00	200,000.00	Property development
6	Fuzhou Wanrong Real Estate Co., Ltd. (福州市万榕房地产开发有限公司)	RMB	160,000.00	160,000.00	Property development
7	Guiyang Vanke Real Estate Co., Ltd. (贵阳万科房地产有限公司)	RMB	100,000.00	100,000.00	Property development

8	Jilin Vanke River Bank Real Estate Co., Ltd. (吉林市万科滨江房地产开发有限公司)	RMB	100,000.00	100,000.00	Property development
9	Wuhan Liantou Vanke Real Estate Co., Ltd. (武汉联投万科房地产有限公司)	RMB	200,000.00	100,000.00	Property development
10	Xi'an Vanke South Property Co., Ltd. (西安万科南部置业有限公司)	RMB	100,000.00	85,000.00	Property development
11	Langfang Wanheng Shengye Real Estate Co., Ltd. (廊坊万恒盛业房地产开发有限公司)	USD	50,000.00	69,630.00	Property development
12	Yantai Vanke Real Estate Co., Ltd. (烟台万科房地产开发有限公司)	RMB	30,000.00	30,000.00	Property development
Total				**2,954,814.90**	

2）The companies the Group acquired during the reporting period are shown as follows:

A. On 26 February 2010, the Company acquired 100% equity interest of Kunming Xinhemin Real Estate Co., Ltd. for a total cash consideration of RMB335.78 million.

B. On 26 March 2010, the Company acquired 75% equity interest of Shanghai Zhongfang River Bank Property Co., Ltd. for a total cash consideration of RMB152.20 million.

C. On 20 April 2010, the Company acquired 100% equity interest of Shenzhen Vanke Jiuzhou Real Estate Co., Ltd. for a total cash consideration of RMB98.20 million.

During the reporting period, the Company acquired another 14 companies for a total consideration of RMB236.59 million.

3）During the reporting period, in order to support the business development of its subsidiaries, the Company increased the capital of 10 subsidaries by approximately RMB2,049 million. Of the total amount, RMB476 million was for Wuhan Wanwei Real Estate Co., Ltd., RMB357 million for Foshan Nanhai Vanke Paradiso Real Estate Co., Ltd., RMB315 million for Tianjin Wanbin Vanke Real Estate Co., Ltd.. Capital injection to other companies during the period under review amounted to RMB901 million.

Other investments

During the reporting period, the Company acquired 38 new projects, with an aggregated planned GFA of 11,958,273 sq m, of which approximately 8,925,965 sq m was attributable to China Vanke's equity holding. Details of the projects are as follows:

City	Project	Location	Equity interest	Site Area (sq m)	Planned GFA (sq m)	GFA attributable to China Vanke's equity holding (sq m)	Progress
Huizhou	Subsequent phase of Shuangyue Bay	Huidong	67%	327,000	490,500	328,635	Pre-construction
Foshan	Phase II of Chencun Project	Shunde	100%	117,854	294,636	294,636	Pre-construction
	Lunjiao Project	Shunde	100%	80,571	241,712	241,712	Under construction
	Project F04	Shunde	50%	30,382	75,954	37,977	Pre-construction
Guangzhou	Tianhe Yupin Porject	Baiyun	100%	22,297	120,850	120,850	For sale
Dongguan	The Paradiso Songshan Lake	Songshan Lake	51%	136,151	381,000	194,310	Pre-construction
	Humen Zitai Project	Humen	100%	60,570	151,426	151,426	Pre-construction

	Chang'an Project	Chang'an	100%	75,654	258,112	258,112	Pre-construction
Changsha	Machine Tool Factory Project	Tianxin	70%	99,770	232,761	162,933	Pre-construction
Fuzhou	Shanghai New Village Project	Taijiang	100%	93,359	445,703	445,703	Pre-construction
	Yongtai Red Cliff Project	Yongtai	51%	392,000	382,048	194,844	Pre-construction
Zhongshan	Tanzhou Project	Tanzhou	100%	32,103	126,932	126,932	Pre-construction
Shanghai	Xinchang C4 Project	Pudong New District	100%	99,209	148,814	148,814	Pre-construction
	Zhonggu Project	Qingpu	100%	116,524	145,266	145,266	Pre-construction
	Guangfulin Project	Songjiang	45%	130,970	104,778	47,150	Pre-construction
Hangzhou	Caozhuang Gongjian	Jianggan	50%	68,564	150,841	75,571	Pre-construction
Ningbo	Jishi Port Project	Yinzhou	100%	95,242	171,435	171,435	Pre-construction
	Zhenhai Lvhe Project	Zhenhai	49%	226,777	488,148	239,193	Pre-construction
Zhenjiang	Bailongshan Project	Runzhou	60%	285,683	416,448	249,869	Pre-construction
Wuxi	Xincheng Road Project	Binhu	100%	154,119	385,299	385,299	Pre-construction
Suzhou	Wuyishan Road Project	Suzhou New District	36%	164,532	143,626	51,705	Pre-construction
Nanchang	Chaoyangzhou Project	Xihu	50%	21,818	76,362	38,181	Pre-construction
Beijing	Land Lot No 3, Changyang Project	Fangshan	50%	78,325	157,992	78,996	Pre-construction
Tangshan	South Lake Project	Lu'nan	100%	153,527	101,462	101,462	Pre-construction
Dalian	Land Lot C of Glamorous City	Ganjinzi	100%	50,083	98,900	98,900	Pre-construction
Tianjin	Tianjin Port Project	Binhai New District	51%	149,520	371,750	189,593	Pre-construction
Shenyang	Vanke Blue Mountain	Dadong	60%	74,527	222,520	133,512	Under construction
	Gear Wheel Plant Projec	Tiexi	70%	66,356	180,363	126,254	Pre-construction
	Sihai Logistic Project	Tiexi	100%	40,971	102,013	102,013	Pre-construction
Jilin	Binjiang Project	Jilin	65%	728,139	2,155,020	1,400,763	Pre-construction
Qingdao	Licang Project	Licang	100%	141,273	265,321	265,321	Pre-construction
Wuhan	Yangtze River Village Project	Hongshan	100%	135,600	470,400	470,400	Pre-construction
Chengdu	Phase I, Wulong Mountain	Xindu	100%	345,174	346,214	346,214	Pre-construction
Xi'an	The Paradiso Qujiang	Qujiang New District	55%	152,667	386,876	212,782	Under construction
	Chang'an the Dream Town	Chang'an	85%	186,849	617,610	524,969	Under construction
Kunming	Jinyu Tixiang	Panlong	100%	104,724	267,084	267,084	Pre-construction
Guiyang	King Metropolis	Xiaohe	51%	322,899	581,218	296,421	Pre-construction
	The Paradiso	Yunyan	100%	80,352	200,880	200,880	Pre-construction
Total				**5,642,134**	**11,958,273**	**8,925,965**	-

From the end of the reporting period to the date of announcement of this report, the Company acquired 4 new projects, with a planned GFA of 1,816,015 sq m, of which 1,316,440 sq m of planned GFA is in proportion to China Vanke's equity holding. Details are as follows:

City	Project	Location	Equity Interest	Site Area (sq m)	Currently planned GFA (sq m)	Planned GFA in proportion to Vanke's equity holding (sq m)	Progress
Shenzhen	Buji Sandy Bay Project	Longgang District	65%	104,870	481,215	312,790	Pre-construction
Dalian	Land lot D/E of Glamorous Project	Ganjingzi District	100%	68,400	129,800	129,800	Pre-construction
Langfan	Xianghe Project Phase II	Xianghe	50%	264,900	662,300	331,150	Pre-construction
Wuhan	Wanzihu Project	Hankou District	100%	102,500	542,700	542,700	Pre-construction
Total				**540,670**	**1,816,015**	**1,316,440**	–

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 companies listed in the PRC, the Company has always abided by its corporate values: to pursue simplicity, to be transparent, to be regulated and 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.

As the Company's single largest shareholder, CRC and its connected companies have remained independent of the Company in respect of operations, employees, assets, organisation and finance, thereby ensuring the Company's operation autonomy.

During the reporting period, the Company, according to the relevant requirements, established a system to make claims against those liable for material errors in annual report information disclosure and started a special intiative focused on basic financial managment, thereby further improving its corporate governance.

The Company's actual corporate governance practice showed no deviation from the requirements of the relevant documents issued by the CSRC.

2. Implementation of the Company's proposal on dividend distribution for the previous year and profit appropriation for the interim period of 2010

Dividend distribution for the year 2009 was approved at the 2009 Annual General Meeting held on 23 March 2010. 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 RMB0.70 (including tax; after deducting tax, a cash dividend of RMB0.63 would be paid for every 10 existing shares beneficially held by individual shareholders, investment funds and non-resident enterprises holding A shares; for non-resident enterprise shareholders holding B shares, a cash dividend of RMB0.63 would be paid for every 10 existing shares; other holders of B shares were not subject to taxation for the time being) would be paid to all the shareholders on the basis of every 10 existing shares held.

The aforesaid proposal was implemented during the reporting period: the record date for A shares was 17 May 2010, and ex-dividend date was 18 May 2010, while the last trading day of B shares was 17 May 2010, ex-dividend date was 18 May 2010, and the record date was 20 May 2010. For details on the implementation of the proposal, please refer to the announcement published in China Securities Journal, Securities Times, Shanghai Securities News, cninfo.com.cn and irasia.com on 10 May 2010.

The Company will not carry out profit appropriation nor the transfer of capital surplus reserve to share capital for the interim period of 2010.

3. Implementation of The Restricted Stock Incentive Plan

As the incentive plan for year 2007 under Phase One Restricted Stock Incentive Plan did not meet the condition for stock price performance target, the termination of the incentive plan was confirmed in the announcement dated 5 January 2010. All of the 46,551,761 Vanke A shares held by the incentive plan for year 2007 were sold on the secondary market within the tradable window period. The total amount of funds, together with the accrued interest, under the incentive plan for year 2007, in an aggregate amount of RMB468,728,083.89 was transferred to the Company's designated account during the reporting period. Termination of the implementation of the incentive plan for year 2007 was completed. The implementation of Phase One Restricted Stock Incentive Plan had completed.

Please refer to the announcements published in China Securities Journal, Securities Times, Shanghai Securities News and cninfo.com.cn on 5 January 2010 and 27 January 2010 for details.

4. Material litigation and arbitration

During the reporting period, the Company was not involved in any material litigation and arbitration.

5. Significant acquisition and disposal of assets

During the reporting period, there were no significant acquisition and disposal of assets by the Company.

6. Other matters in relation to investment

6.1 Securities investments

☐ Applicable √ Not applicable

6.2 Equity interests held in other listed companies

(Unit: RMB)

Stock code	Stock abbreviation	Initial investment amount	Percentage of shareholding	Balance as at the end of the reporting period	Gains/(losses) during the reporting period	Changes in equity attributable to equity shareholders during the reporting period
000001	Shenzhen Development Bank Co., Ltd – A	-	-	-	43,480,910.81	(61,866,882.60)
600697	Changchun Eurasia Group Co., Ltd	819,957.78	0.19%	7,530,072.06	36,584,997.03	(34,197,694.34)
600680	Shanghai Potevio Co., Ltd	2,780,251.55	0.35%	12,600,640.00	19,508,737.51	(22,541,483.49)
600751	SST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00	-	-
Total		3,743,809.33	-	20,274,312.06	99,574,645.35	(118,606,060.43)

Note:1. The above-mentioned equity interests are legal person shares held by the Company over the years. Up till now, SST Tianjin Marine Shipping Co., Ltd has not undergone share reform.

2. During the reporting period, all the equity interests held in Shenzhen Development Bank Co., Ltd – A by the Company and part of the equity interests held in Changchun Eurasia Group Co., Ltd and Shanghai Potevio Co., Ltd. by the Company had been disposed. Gains from the disposal of the equity interests have been recognised as "investment income". The change in fair value of the remaining equity interests at the end of the reporting period led to a decrease in "available-for-sale finance assets", and a corresponding decrease in "capital reserve".

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

No.

7. Major connected transactions

During the reporting period, the Company was not involved in any major connected transactions.

8. Major contracts and their implementation

（1） During the reporting period, the Company did not have any material assets from other companies under its custodial management, sub-contract or lease any assets from other companies, nor were the Company's material assets put under custodial management of, subcontracted or leased by other companies.

（2） During the reporting period, the Company did not have any entrustment of financial management.

（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	Remarks	Guarantee Period
1	Chengdu Vanke Real Estate Co., Ltd. ("Chengdu Vanke")	Chengdu Vanke Yihang Vanke Binjiang Estate Development Co. Ltd(成都一航万科滨江房地产有限公司) (49%)	RMB19.5 million	Provided a guarantee in proportion to the Company's equity holding (15%) for a bank loan of RMB130 million	16 March 2010 to 15 March 2013
2	Zhejiang Vanke Nandu Real Estate Company Limited	Hangzhou Wan Kun Real Estate Company Ltd(杭州万坤置业有限公司)(51%)	RMB17.352 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a construction guarantee of RMB34.023 million	30 June 2010 to 30 December 2011

During the reporting period, the amount of new guarantees made by the Company and its majority-owned subsidiaries was RMB37 million, and the amount of guarantees withdrawn was RMB90 million. As at the end of the reporting period, the outstanding amount of guarantees made by the Company was RMB1,188 million, accounting for 2.99 per cent of the Company's net assets. The outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB1,153 million, while the outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for associated companies was RMB35 million, and the outstanding amount of external guarantees made by the Company and its majority-owned subsidiaries was zero.

The Company did not provide guarantee for shareholders, beneficial controller and its connected parties, nor did it, directly or indirectly, provide guarantee for companies with an assets/liabilities ratio exceeding 70 per cent.

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

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 the determination of guarantees are legal and reasonable without prejudice to the interests of the Company and its shareholders.

10. Undertaking

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

11. Meeting with investors

<table>
<tr><th>Type of meeting</th><th>Date</th><th>Location</th><th>Approach</th><th>Classification of visitors</th><th>Issues discussed and information provided</th></tr>
<tr><td>China Jianyin Investment Securities meeting</td><td>2010.1</td><td>Shenzhen</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td><td rowspan="11">(I) Major issues discussed:
(1) The Company's daily operations;
(2) The Company's development strategies;
(3) The Company's opinion on the changes in the industry.

(II) Major information provided:

Published information including the Company's regular reports.</td></tr>
<tr><td>China Galaxy Securities meeting</td><td>2010.1</td><td>Beijing</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Deutsche Bank meeting</td><td>2010.1</td><td>Beijing</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>UBS meeting</td><td>2010.1</td><td>Shanghai</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>HSBC meeting</td><td>2010.1</td><td>Hong Kong</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Annual results presentation</td><td>2010.3</td><td>Hong Kong, Shenzhen (Shanghai, Beijing)</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, individual investors, etc</td></tr>
<tr><td>CLSA meeting</td><td>2010.3</td><td>Hong Kong</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Credit Suisse meeting</td><td>2010.3</td><td>Hong Kong</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>BNP meeting</td><td>2010.3</td><td>Hong Kong</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Daiwa Securities meeting</td><td>2010.3</td><td>Tokyo</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
<tr><td>Credit Suisse meeting</td><td>2010.3</td><td>Hong Kong</td><td>Face to Face Meeting</td><td>Investors including securities companies, funds, etc</td></tr>
</table>

Macquarie meeting	2010.4	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Daiwa Securities meeting	2010.4	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2010.5	Singapore	Face to Face Meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2010.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
BOC international meeting	2010.5	Qingdao	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA meeting	2010.5	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Shenjin Wanguo meeting	2010.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Greatwall Securities meeting	2010.5	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
UBS meeting	2010.5	Huhehaote	Face to Face Meeting	Investors including securities companies, funds, etc	
China Jianyin Investment Securities meeting	2010.5	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2010.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
JP Morgan meeting	2010.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Everbright Securities meeting	2010.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2010.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Changjiang Securities meeting	2010.6	Yichang	Face to Face Meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2010.6	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Guotai Junan meeting	2010.6	Qingdao	Face to Face Meeting	Investors including securities companies, funds, etc	
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.					

Securities Companies	During the reporting period	Shenzhen, Guangzhou, Zhongshan, Zhuhai, Fuzhou, Changsha, Haikou, Shanghai, Nanjiing, Suzhou, Hangzhou, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Wuhan, Chengdu, Chongqing, Xi'an etc.	Small group or one-on-one	Shenyin Wanguo, CLSA, Southwest Securities, Citi, Huatai United Securities, Changjiang Securities, UBS, CICC, Bohai Securities, Daiwa Securities, Everbright Securities, China Galaxy Securities, Credit Suisse, Essence Securities, China Jianyin Investment Securities, ABN Amro Bank, JP Morgan, Merrill Lynch, RBS, Morgan Stanley, Greatwall Securities, Mitsubishi UFJ Securities, Goldman Sachs GaoHua, CITIC Securities, Guangfa Securities, CSC Securities, Nomura Securities, Deutsche Bank, Macquarie, Hong Kong First Shanghai Securities Co., Ninjing Securities, Computershare, Meiwa Securities Co.,Ltd, 82 Securities Co., Ltd, CEBM Group Ltd, BNP, Piper Jaffray Asia Securities Limited, Phillip Securites Group, DBS Vickers, Aviate Global, Auerbach Grayson, Samsung Securities, Yuanta Securities etc.	

Funds and other investment companies and individual investors	During the reporting period	Shenzhen, Guangzhou, Zhongshan, Zhuhai, Fuzhou, Changsha, Haikou, Shanghai, Nanjing, Suzhou, Hangzhou, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Wuhan, Chengdu, Chongqing, Xi'an etc.	Small group or one-on-one	China AMC, Taikang Life, Yinhua Fund, China Universal Fund, First-Trust Fund, China Merchants Fund, Penghua Fund, Bank of Communications Schroders Fund, Cephei Investment, CCB Principal Asset Management, E Fund, Congrong Investment, Rongtong Fund, Bosera Fund , Hanwha Securities Co., Ltd, Fullgoal Fund , bocgi, China Taiping insurance, Fuh Hwa Securities Investment Trust, Franklin Templeton Sealand Fund, SYWG BNP Paribas Asset Management Co., Ltd, Fortune SGAM Fund , Allianz Fund, Zeal Asset Management Limited, Shanghai Hao Tong Investment Consulting Co., Ltd, Shenzhen Huize Zhangfu investment consulting Co, Perry Capital, Government of Singapore Investment Corporation Pte Ltd Avenue Capital, Caxton Associates, GSI Management Limited, Wellington, University of Pennsylvania, Orange Capital, Merchant Gates, LaSalle Investment Management, Deutsche Asset Management, T. Rowe Price International, JF Asset Management, Martin Currie Investment Management, Grand River Investments, First State Investments, Oaktree Capital Management, Western Asset Management, Keefe Bruyette & Woods, Mitsubishi UFJ Asset Management, Ballie Gifford, Duquesne Capital Mgt, Pyrford International, Christensen, Pictet Asset Management, Goldman Sachs Principal Strategies, Chugoku Bank, Robeco,Clairvoyance Capital, Morgan Stanley Asset Mgt, AllianzBerstein, Weitz Funds, Partner Funds, Tiger Asia Asset, Hamblin Watsa, Henderson TR Pacific, One Investment & Trinity Street, Jupiter, State Teachers Retirement System of Ohio, Broad Peak Investment Advisers Pte Ltd., BT Investment Management, GMO, Invesco Hong Kong Limited, GLG Partners, Capital Research, NPJ Asset Management, Algebris, Noonday Asset Management, Equinox Partners, Highbridge, LaSalle, Primero Asset Mgmt, Pacific Eagle, UOB AM, DBS Asset Mgmt, Winnington, VL AM, Nomura Asset Management, Emerging Markets Management L.L.C., Value Partners, Public Mutual Investment Management, FrontPoint Partners, William Blair, Marsico Capital Mgmt. , Mason Capital Mgmt LLC, RHG Capital LP, WRA Invs LLC, Brandes Investment Management, Maverick Capital, RCM Asia Pacific, Keywise, Brevan Howard, SunAmerica, Blackrock, Thornburg Investment, Northern Trust, AP3, Franklin Templeton, Mapple Brown Abbott, Perennial Value, ING etc.	

12. Corporate bonds and related matters

During the reporting period, the Company kept a good credit standing. The Company's issued bonds, including "08 Vanke G1" (Bond code: 112005) and "08 Vanke G2" (Bond code: 112006), had been tracked and rated by China Chengxin Securities Rating Co., Ltd. (中诚信证券评估有限公司). The rating company continued to assign an AAA credit rating to the secured corporate bonds, "08 Vanke G1", and AA+ credit rating to the unsecured bonds, "08 Vanke G2", and AA+ credit rating to the Company as a whole, and raised the rating outlook from stable to positive.

13. Investment in derivatives

Remarks on risk analysis and management of derivative positions during the year under review (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, and pay a fixed rate to the counterparty. IRS is used to control the risk arising from the change in interest rate by fixing a forward interest rate on the notional amount during the term of the foreign currency loan.
Change in market price or fair value of the derivatives invested during the year under review, as well as the method, related assumptions and parameters used to analyse the fair value of derivatives should be disclosed	The effect of the change in the IRS value on the Company's profit or loss during the reporting period amounted to RMB(5,810,671.18). The value of the IRS was determined based on the fair value assessed on 30 June 2010.
Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the year under review as compared with those of the previous reporting year	Nil
Special advice on derivative investment and risk control by independent directors, sponsors and financial advisors	The Company's independent directors are of the view that financial instruments such as IRS reduced the probable loss associated with foreign currency loan in the event of significant fluctuations in interest rate. The relevant arrangement of the Company has been prudent and reasonable.

Derivative positions as at the end of the reporting period

Unit: RMB'000

Type of contracts	Contract amount as at the beginning of the period	Contract amount as at the end of the period	Profit/loss during the reporting period	Contract amount as at the end of the period as a percentage of the Company's net assets as at the end of the reporting period
Interest rate swap (IRS) agreement	462,610.55	1,740,917.12	(5,810.67)	4.38%
Total	**462,610.55**	**1,740,917.12**	**(5,810.67)**	4.38%

VI. Financial statements (unaudited)

China Vanke Co., Ltd.
萬科企業股份有限公司

30 June 2010

Consolidated income statement
for the year ended 30 June 2010
(Expressed in Renminbi Yuan)

	Note	*2010 Jan. – Jun*	*2009 Jan. – Jun*
Revenue	7	15,816,254,224	20,553,477,931
Cost of sales		(10,046,889,448)	(14,840,848,429)
Gross profit		5,769,364,776	5,712,629,502
Other income	8	206,654,647	53,561,476
Distribution costs		(606,401,577)	(551,447,479)
Administrative expenses		(575,447,943)	(581,874,279)
Other operating expenses	9	(35,154,287)	(68,404,243)
Profit from operations		4,759,015,616	4,564,464,977
Finance income		373,600,878	134,732,205
Finance costs		(386,171,719)	(346,839,320)
Net finance costs	11	(12,570,841)	(212,107,115)
Share of profits less losses of associates	21	17,667,867	163,366,356
Share of profits less losses of jointly controlled entities	22	76,772,073	(18,330,042)
Profit before income tax		4,840,884,715	4,497,394,176
Income tax	12(a)	(1,680,063,826)	(1,397,166,922)
Profit for the year		3,160,820,889	3,100,227,254
Attributable to:			
Equity shareholders of the Company		2,812,498,573	2,524,392,406
Minority interests		348,322,316	575,834,848
Profit for the year		3,160,820,889	3,100,227,254
Basic and diluted earnings per share	14	0.26	0.23

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The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 30 June 2010

(Expressed in Renminbi Yuan)

	Note	*2010 Jan. – Jun*	*2009 Jan. – Jun*
Profit for the year		3,160,820,889	3,100,227,254
Other comprehensive income for the year (after tax and reclassification adjustments)	13		
Exchange differences on translation of financial statements of foreign subsidiaries		47,738,002	230,369
Available-for-sale securities: net movement in the fair value reserve		(93,939,754)	48,310,446
		(46,201,752)	48,540,815
Total comprehensive income for the year		3,114,619,137	3,148,768,069
Attributable to:			
Equity shareholders of the Company		2,766,296,821	2,572,933,221
Minority interests		348,322,316	575,834,848
Total comprehensive income for the year		3,114,619,137	3,148,768,069

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 30 June 2010

(Expressed in Renminbi Yuan)

	Note	*30 June 2010*	*31 December 2009*
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,368,151,947	1,387,295,710
Lease prepayments	17	81,141,162	81,966,326
Investment properties	18	124,381,463	228,143,158
Construction in progress	19	720,431,028	593,208,234
Interest in associates	21	763,129,420	709,512,280
Interest in jointly controlled entities	22	3,461,127,756	2,763,877,398
Other financial assets	23	108,509,013	255,622,796
Deferred tax assets	24(a)	1,324,276,861	1,265,649,479
Total non-current assets		7,951,148,650	7,285,275,381
Current assets			
Inventories	25	61,175,949	59,998,046
Properties held for development	26	50,867,768,617	44,230,838,396
Properties under development	26	55,663,253,400	40,901,289,915
Completed properties for sale	26	5,302,302,514	5,311,972,269
Trade and other receivables	27	21,918,984,424	17,235,320,841
Financial derivatives		-	740,471
Cash and cash equivalents and pledged deposits	28	19,111,314,733	23,001,923,831
Total current assets		152,924,799,637	130,742,083,769
TOTAL ASSETS		160,875,948,287	138,027,359,150
EQUITY			
Share capital	29	10,995,210,218	10,995,210,218
Reserves	30	28,777,743,526	26,866,813,259
Awarded Shares purchased for the Employees' Share Award Scheme	35	-	(486,135,416)
Total equity attributable to equity shareholders of the Company		39,772,953,744	37,375,888,061
Minority interests		8,646,855,033	8,032,624,393
TOTAL EQUITY		48,419,808,777	45,408,512,454

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 30 June 2010 (continued)

(Expressed in Renminbi Yuan)

	Note	*30 June 2010*	*31 December 2009*
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings and bonds	31	25,432,564,762	23,296,534,102
Deferred tax liabilities	24(b)	1,096,540,551	1,221,268,786
Other long term liabilities	32	8,735,986	8,408,145
Provisions	34	33,609,750	34,355,815
Total non-current liabilities		26,571,451,049	24,560,566,848
Current liabilities			
Interest-bearing borrowings	31	13,416,327,820	8,628,670,478
Financial derivatives		5,070,200	-
Trade and other payables	33	68,331,120,744	55,244,411,867
Current taxation	12(c)	4,132,169,697	4,185,197,503
Total current liabilities		85,884,688,461	68,058,279,848
TOTAL LIABILITIES		112,456,139,510	92,618,846,696
TOTAL EQUITY AND LIABILITIES		160,875,948,287	138,027,359,150

Approved and authorized for issue by the board of directors on 6 August 2010.

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The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 30 June 2010
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company										
	Note	*Share capital*	*Share premium*	*Foreign exchange reserve*	*Statutory reserves*	*Employee share-based compensation reserve*	*Revaluation reserve*	*Other reserves*	*Retained profits*	*, Total*	*Minority interests*	*Total equity*
Balance at 1 January 2010		10,995,210,218	8,826,644,405	276,721,079	8,737,841,437	(156,158,559)	107,604,654	(220,373,917)	8,808,398,744	37,375,888,061	8,032,624,393	45,408,512,454
Changes in equity for the six months ended 30 June 2010:												
Dividend declared-2010	15	-	-	-	-	-	-	-	(771,376,582)	(771,376,582)	(202,820,584)	(974,197,166)
Capital injections from minority interests of subsidiaries		-	-	-	-	-	-	-	-	-	468,728,908	468,728,908
Equity settled share-based transactions	30(b)	-	-	-	-	468,728,084	-	-	-	468,728,084	-	468,728,084
Acquisitions of minority interests		-	-	-	-	-	-	(66,582,640)	-	(66,582,640)	-	(66,582,640)
Total comprehensive income for the year		-	-	47,738,002	-	-	(93,939,754)	-	2,812,498,573	2,766,296,821	348,322,316	3,114,619,137
Balance at 30 June 2010		10,995,210,218	8,826,644,405	324,459,081	8,737,841,437	312,569,525	13,664,900	(286,956,557)	10,849,520,735	39,772,953,744	8,646,855,033	,48,419,808,777

Consolidated statement of changes in equity (continued)
For the year ended 30 June 2009
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company											
	Share capital	*Share premium*	*Foreign exchange reserve*	*Statutory reserves*	*Employee share-based compensation reserve*	*Revaluation reserve*	*Other reserves*	*Retained profits*	*Awarded shares purchased for Employees' Share Award Scheme*	*Total*	*Minority interests*	*Total equity*
Balance at 1 January 2009	10,995,210,218	8,826,644,405	277,307,760	6,581,984,978	473,226,067	44,647,125	(241,332,344)	6,184,277,987	(1,250,040,934)	31,891,925,262	6,926,624,219	38,818,549,481
Changes in equity for the six months ended 30 June 2009:												
Transfer of retained profits	-	-	-	-	-	-	(14,482,395)	-	-	(14,482,395)	-	(14,482,395)
Dividend declared-2009	-	-	-	-	-	-	-	(549,760,511)	-	(549,760,511)	(128,533,121)	(678,293,632)
Capital injections from minority interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,256,136)	(90,256,136)
Equity settled share-based transactions	-	-	-	-	-	-	(143,249,210)	-	763,905,518	620,656,308	-	620,656,308
Total comprehensive income for the year	-	-	230,369	-	-	48,310,446	-	2,524,392,406	-	2,572,933,221	575,834,848	3,148,768,069
Balance at 30 June 2009	10,995,210,218	8,826,644,405	277,538,129	6,581,984,978	473,226,067	92,957,571	(399,063,949)	8,158,909,882	(486,135,416)	34,521,271,885	7,283,669,810	41,804,941,695

The accompanying notes form part of these financial statements.

Consolidated cash flow statement for the year ended 30 June 2010

(Expressed in Renminbi Yuan)

	Note	2010 Jan. – Jun	2009 Jan. – Jun
Cash flows from operating activities			
Cash receipts from customers		28,870,516,221	27,326,850,631
Cash paid to suppliers		(29,123,479,748)	(11,498,223,641)
Cash paid to and for employees		(1,025,738,335)	(656,464,889)
Cash paid for other taxes		(4,385,820,679)	(3,534,320,990)
Cash generated from other operating activities		2,659,393,935	788,899,488
Cash used in other operating activities		(6,509,292,573)	(2,605,155,965)
Net cash generated from / (used in) operating activities		(9,514,421,179)	9,821,584,634
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	5	188,165,014	(252,880,464)
Acquisitions of interest in associates, jointly controlled entities and other investments		(1,453,342,441)	(13,912,578)
Acquisitions of property, plant and equipment and construction in progress		(40,828,007)	(19,369,517)
Proceeds from disposals of subsidiaries	6	20,112,929	-
Proceeds from disposal of property, plant and equipment		438,616	84,177,822
Proceeds from sales of investments		138,303,746	80,060,000
Proceeds from other investment activities		131,453,581	144,202,567
Dividends received		439,521,967	134,830,514
Net cash used in investing activities		(576,174,595)	157,108,344

The accompanying notes form part of these financial statements.

Consolidated cash flow statement (continued) for the year ended 30 June 2010

(Expressed in Renminbi Yuan)

	Note	2010 Jan. – Jun	2009 Jan. – Jun
Cash flows from financing activities			
Capital injections from minority interests of subsidiaries		1,134,963,387	-
Proceeds from loans and borrowings		11,911,335,211	11,039,015,369
Repayment of loans and borrowings		(5,067,889,566)	(12,382,381,037)
Dividend and interest paid		(1,886,222,183)	(1,733,306,033)
Net cash (used in) / generated from financing activities		6,092,186,849	(3,076,671,701)
Net increase in cash and cash equivalents		(3,998,408,925)	6,902,021,277
Cash and cash equivalents at 1 January		22,002,774,938	19,978,285,930
Effect of foreign exchange rate changes		(4,982,697)	116,336
Cash and cash equivalents at balance sheet date		17,999,383,316	26,880,423,543

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements
(Expressed in Renminbi Yuan)

1 Reporting entity

China Vanke Co., Ltd (the "Company") is a company domiciled in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The Group is primarily involved in the development and sale of properties in the PRC (see note 7).

2 Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were approved and authorized for issue by the Company's board of directors on 6 August 2010.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

2 Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

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

- Notes 16, 17 18 and 19 – depreciation and impairment of property, plant and equipment , lease prepayments , investment properties and construction in progress.
- Note 26 – write down of properties
- Note 27 – impairment of trade debtors and other receivables
- Note 41 – accounting estimates and judgements

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries and minority interests

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

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and minority interests (continued)

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

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

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

(ii) Associates and jointly controlled entities

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

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

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and jointly controlled entities (continued)

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

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

(iii) Business combinations

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

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

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

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

(iv) Goodwill

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

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Goodwill (continued)

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

3 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

(ii) Non-derivative financial liabilities

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

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

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

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

(iii) Derivative financial instruments

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

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

(iv) Share capital

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

(e) Investment properties

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

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

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

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

3 Significant accounting policies (continued)

(f) Construction in progress

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

(g) Leased assets

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

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

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

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

(h) Impairment of assets

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

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

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

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

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

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

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

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

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

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

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

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

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

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

(ii) Impairment of other assets

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

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

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

- Calculation of recoverable amount

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

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(i) Inventories

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

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

(j) Properties under development and properties held for development

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

3 Significant accounting policies (continued)

(k) Completed properties for sale

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

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

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

(l) Revenue recognition

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

(i) Sale of properties

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

(ii) Provision of services

Revenue from services is recognised when services are rendered.

(iii) Rental income from operating leases

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

(iv) Interest income

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

3 Significant accounting policies (continued)

(l) Revenue recognition (continued)

(v) Dividend income

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

(vi) Government grants

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

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

(m) Lease prepayments

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

(n) Borrowing costs

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

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

3 Significant accounting policies (continued)

(o) Employee benefits

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

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

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

(ii) Share based payments

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

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

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

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

(p) Income tax

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

3 Significant accounting policies (continued)

(p) Income tax (continued)

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

(p) Income tax (continued)

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

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

(q) Trade and other receivables

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

(r) Trade and other payables

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

(s) Cash and cash equivalents

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

3 Significant accounting policies (continued)

(t) Interest-bearing borrowings and bonds

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities acquired in business combinations

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

(iii) Other provisions and contingent liabilities

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

3 Significant accounting policies (continued)

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

(iii) Other provisions and contingent liabilities (continued)

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

(v) Related parties

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

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

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

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

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

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

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

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

(w) Earnings per share

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

3 Significant accounting policies (continued)

(x) Operating segments

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

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

4 Determination of fair values

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

(i) Trade and other receivables

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

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

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

(iii) Investments in debt and equity securities

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

5 Acquisitions of subsidiaries

(i) Acquisitions of subsidiaries by the Group during the year ended 30 June 2010:

(a) Pursuant to an equity transfer agreement dated 29 December 2009, the Group acquired a 51% equity interest in Yongtaiyouxin Property Development Co., Ltd ("Yongtaiyouxin") at a consideration of RMB 19.75 million Yongtaiyouxin is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 1 March 2010.(note)

(b) Pursuant to an equity transfer agreement dated 5 March 2010, the Group acquired a 51% equity interest in Guiyang Vanke Jinjia Real Estate Co., Ltd. ("Guiyangjingjia") at a consideration of RMB 4.59 million. Guiyangjingjiais principally engaged in property development and sale The acquisition was completed on 22 March 2010 .

(c) Pursuant to an equity transfer agreement dated 26 February 2010, the Company acquired a 100% equity interest in Kunming Xinhemin North Town Real Estate Co Ltd ("Xinhemin") at a consideration of RMB 335.78 million. Xinheming principally engaged in property development and sale The acquisition was completed on 26 February 2010.

(d) Pursuant to an equity transfer agreement dated 1 March 2010, the Group acquired a 75% equity interest in Shanghai Zhongfang Binjiang Real Estate Co Ltd ("Zhongfangbinjiang") at a consideration of RMB 152.2 million. Zhongfangbinjiang is principally engaged in property development and sale. The acquisition was completed on 26 March 2010.

(e) Pursuant to an equity transfer agreement dated 27 August 2009, the Group acquired a 90% equity interest in Shenzhen Guangshengrong Investment Co Ltd ("Guangshengrong") at a consideration of RMB 45 million. Guangshengrong is principally engaged in investment holding. The acquisition was completed on 5 February 2010.

(f) Pursuant to an equity transfer agreement dated 30 December 2009, the Group acquired a 60% equity interest in Shenzhen Hechenghongye Investment Management Company Limited ("Hechenghongye") at a consideration of RMB 6 million. Hechenghongye is principally engaged in investment holding. The acquisition was completed on 21 January 2010.

(g) Pursuant to an equity transfer agreement dated 28 December 2009, the Group acquired a 95% equity interest in Tianjin Eco-city Wanhong Property Company Limited ("Tianjin Eco-city") at a consideration of RMB 28.5 million. Tianjin Eco-city is principally engaged in property development and sale. The acquisition was completed on 1 January 2010.

(h) Pursuant to an equity transfer agreement dated 4 May 2010, the Group acquired a 25% equity interest in Dalian Vanke Charming City Property Development Company Limited ("Charming") at a consideration of RMB 98.59 million. Charming is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 30 June 2010. After the acquisition, the Company holds a 55% equity interest in Charming. (note)

5 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the year ended 30 June 2010: （Continued）

(i) Pursuant to an equity transfer agreement dated 25 February 2010, the Group acquired a 65% equity interest in Shenzhen Julongwan Investment Development Company Limited ("Julongwan") at a consideration of RMB 6.5 million. Julongwan is principally engaged in investment holding. The acquisition was completed on 1 May 2010.

(j) Pursuant to an equity transfer agreement dated 1 May 2010, the Company acquired a 51% equity interest in Zhuhai Jingyu Green Engineering Company Limited ("Zhuhai Jingyu") at a consideration of RMB 2.55 million. Zhuhai Jingyu is principally engaged in green engineering. The acquisition was completed on 20 May 2010.

(k) Pursuant to an equity transfer agreement dated 8 April 2010, the Company acquired a 80% equity interest in Shenzhen Jinhui Property Development Co Ltd ("Shenzhen Jinhui") at a consideration of RMB 24 million. Shenzhen Jinhui is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 6 May 2010 (note).

(l) Pursuant to an equity transfer agreement dated 14 April 2010, the Company acquired a 100% equity interest in Shenzhen Jiuzhou Property Development Co Ltd ("Shenzhen Jiuzhou") at a consideration of RMB 98.2 million. Shenzhen Jiuzhou is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 20 April 2010 (note).

(m) Pursuant to an equity transfer agreement dated 30 December 2009, the Group acquired a 60% equity interest in Shenzhen Wanjialian Investment Development Company Ltd. ("Wanjialian") at a consideration of RMB 0.6 million. Wanjialian is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 17 June 2010 (note).

(n) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Citi Victory Limited. ("Citi Victory") at a consideration of HKD1000. Citi Victory is principally engaged in investment holding. The acquisition was completed on 8 January 2010.

(o) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Full Act Limited. ("Full Act.") at a consideration of HKD1000. Full Act. is principally engaged in investment holding. The acquisition was completed on 8 January 2010.

(p) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Gain Honour Limited. ("Gain Honour") at a consideration of HKD1000. Gain Honour is principally engaged in investment holding. The acquisition was completed on 8 January 2010.

5 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the year ended 30 June 2010: （Continued）

(q) Pursuant to an equity transfer agreement dated 13 October 2009, the Group acquired a 51% equity interest in Dongguan Zhongwan Property Development Company Ltd ("Zhongwan") at a consideration of RMB 0.51 million. Zhongwan is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 1 January 2010 (note).

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

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

Considerations, satisfied in cash	873,418,856
Cash acquired	(755,092,855)
Considerations prepaid in prior years	(231,348,715)
Considerations to be paid subsequent to June 2010	(80,510,000)
Net cash outflow	(193,532,714)

All subsidiaries set out above were acquired from third parties.

5 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009:

(a) Pursuant to an equity transfer agreement dated 1 April 2009, the Group acquired a 100% equity interest in Charm Crystal Limited ("Charm Crystal") at a consideration of HKD 1,000. Charm Crystal is principally engaged in investment holding. The acquisition was completed on 1 April 2009.

(b) Pursuant to an equity transfer agreement dated 6 January 2008, the Group acquired a 90% equity interest in Wu Han Wangjiadun Morden City Real Estate Development Co., Ltd. ("Wangjiadun") at a consideration of RMB 368 million. Wangjiadun is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 31 May 2009 (note).

(c) Pursuant to an equity transfer agreement dated 28 July 2009, the Company acquired a 100% equity interest in Leadway Capital Limited Limited ("Leadway") at a consideration of HKD 1,000. Leadway holds a 45% equity interest in Wuhan Wanwei Consultancy Company Limited. The acquisition was completed on 28 July 2009.

(d) Pursuant to an equity transfer agreement dated 24 August 2009, the Group acquired a 100% equity interest in Trendell Limited ("Trendell") at a consideration of RMB 140 million. Trendell is principally engaged in investment holding. The acquisition was completed on 24 August 2009. After the acquisition, the Company holds a 80% equity interest in Dongguan Vanke Property Management Company Limited.

(e) Pursuant to an equity transfer agreement dated 3 September 2009, the Group acquired a 80% equity interest in Chengdu Tongtai Property Development Company Limited ("Tongtai") at a consideration of RMB 1.52 million. Tongtai is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 3 September 2009 (note).

(f) Pursuant to an equity transfer agreement dated 4 September 2009, the Group acquired a 100% equity interest in Hangzhou Yuanhao Investment Management Company Limited ("Yuanhao") at a consideration of RMB 1.2 million. Yuanhao is principally engaged in investment holding. The acquisition was completed on 4 September 2009.

(g) Pursuant to an equity transfer agreement dated 4 September 2009, the Group acquired a 100% equity interest in Hangzhou Hangchen Investment Management Company Limited ("Hangchen") at a consideration of RMB 1.2 million. Hangchen is principally engaged in investment holding. The acquisition was completed on 4 September 2009.

(h) Pursuant to an equity transfer agreement dated 11 September 2009, the Group acquired a 100% equity interest in Ample Avenue Investments Limited ("Ample") at a consideration of RMB 103 million. Ample holds a 45% equity interest in Tianjin Vanke Xinlicheng Company Limited. The acquisition was completed on 11 September 2009.

5 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009 (continued):

(i) Pursuant to an equity transfer agreement dated 25 September 2009, the Group acquired a 100% equity interest in Pro Ocean Limited ("Pro Ocean") at a consideration of RMB 881.1. Pro Ocean is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(j) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Double Falcon Limited ("Double Falcon") at a consideration of HKD 1,000. Double Falcon is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(k) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Glorious Pacific Limited ("Glorious Pacific") at a consideration of HKD 1,000. Glorious Pacific is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(l) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Likeford Limited ("Likeford") at a consideration of HKD 1,000. Likeford is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(m) Pursuant to an equity transfer agreement dated 29 September 2009, the Group acquired a 70% equity interest in Hunan Vanke Heshun Property Company Limited ("Heshun") at a consideration of RMB 36 million. Heshun is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 14 October 2009 (note).

(n) Pursuant to an equity transfer agreement dated 30 September 2009, the Group acquired a 90% equity interest in Shenzhen Construction Holding of Longgang Property Co., Ltd. ("Longgang") at a consideration of RMB 99 million. Longgang is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 30 October 2009 (note).

(o) Pursuant to an equity transfer agreement dated 2 November 2009, the Group acquired a 100% equity interest in Guangzhou Yinye Junrui Real Estate Co., Ltd ("Yinye Junrui") at a consideration of RMB 55 million. Yinye Junrui is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 2 November 2009 (note).

(p) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Star Top Development Limited ("Star Top") at a consideration of RMB 0.88. Star Top is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

5 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009 (continued):

(q) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Well Keen Limited ("Well Keen") at a consideration of RMB 0.88. Well Keen is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(r) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Bloom Gain Limited ("Bloom") at a consideration of RMB 0.88. Bloom is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(s) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Hopewin Investments Limited ("Hopewin") at a consideration of RMB 0.88. Hopewin is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(t) Pursuant to an equity transfer agreement dated 10 November 2009, the Company acquired a 100% equity interest in Best Cheer Investments Limited ("Best Cheer") at a consideration of RMB 0.88 . Best cheer is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(u) Pursuant to an equity transfer agreement dated 19 November 2009, the Group acquired a 95% equity interest in Guangzhou Linhai Real Estate Co.,Ltd. ("Linhai") at a consideration of RMB 45 million. Linhai is principally engaged in holding certain properties held for development and properties under development. The acquisition was completed on 19 November 2009 (note).

(v) Pursuant to an equity transfer agreement dated 25 November 2009, the Group acquired a 12.39% equity interest in Dongguan Xintong Industry and Investment Company Limited ("Xintong") at a consideration of RMB 1.2 million. Xintong is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 25 November 2009. After the acquisition, the Company holds a 51% equity interest in Xintong (note).

(w) Pursuant to an equity transfer agreement dated 15 December 2009, the Group acquired a 95% equity interest in Qingyuan Hongmei Investment Company Limited ("Hongmei") at a consideration of RMB 266 million. Hongmei is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 15 December 2009 (note).

(x) Pursuant to an equity transfer agreement dated 17 December 2009, the Group acquired a 95% equity interest in Chengdu Jinlan Property Company Limited ("Jinlan") at a consideration of RMB 9.5 million. Jinlan is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 17 December 2009 (note).

5 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009 (continued):

(y) Pursuant to an equity transfer agreement dated 31 December 2009, the Group acquired a 65% equity interest in Shanghai Pangzhi Investment Management Company Limited ("Pangzhi") at a consideration of RMB 568 million. Pangzhi is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 31 December 2009 (note).

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

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

Considerations, satisfied in cash	1,696,235,078
Cash acquired	(380,511,555)
Considerations prepaid in prior years	(388,436,843)
Considerations to be paid subsequent to 2009	(101,997,528)
Net cash outflow in 2009	825,289,152

All subsidiaries set out above were acquired from third parties.

6 Disposal of subsidiaries

(i) Disposal of subsidiaries by the Group during the year ended 30 June 2010:

(a) On 1 January 2010, the Group disposed of 100% equity interest in Xiamen Xinlu Orient Trading Company Limited to an independent party, at a consideration of RMB194 million. A gain of RMB59 million arose from the disposal.

(b) On 20 May 2010, the Group disposed of 50% equity interest in Changchun Vanke Xizhigu Property Development Company Limited, which was previously wholly owned by the Group, to an independent party, at a consideration of RMB4 million.

(c) On 31 May 2010, the Group disposed 85% equity interest in Guangzhou Yinyejunrui Property Development Company Limited., which was previously 100% owned by the Group, to an independent party, at a consideration of RMB47 million.

(d) On 30 June 2010, the Group disposed of 51% equity interest in Changchun Vanke Jingcheng Property Development Company Limited, which was previously wholly owned by the Group, to an independent party, at a consideration of RMB251 million.

6 Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries by the Group during the year ended 30 June 2010: (continued)

Effect of the disposal on individual assets and liabilities of the Group for the year ended 30 June 2010

Cash and cash equivalents	30,739,071
Trade and other receivables	83,757,886
Properties held for development, properties under development and completed properties for sales	2,306,869,650
Investment properties	101,509,070
Property, plant and equipment	285,834
Other long-term investment	8,353,930
Interest-bearing loans and borrowings	(134,900,000)
Trade and other payables	(2,193,721,834)
Minority interests	(15,446,204)
Net assets and liabilities disposed of by the Group	187,447,403
Gain on disposal of subsidiaries	62,784,054
Considerations to be paid subsequent to June 2010	-
Considerations received, satisfied in cash	50,852,000
Cash disposed of	30,739,071
Net cash inflow	20,112,929

(ii) Disposals of a subsidiary by the Group during the year ended 31 December 2009:

(a) On 31 July 2009, the Group disposed of 90% equity interest in Nanjing Hengbang Property Co., Ltd., which was previously 90% owned by the Group, to an independent party, at a consideration of RMB10 million.

(b) On 23 July 2009, the Group disposed of equity interest in Shenzhen Hengfeng Property Co., Ltd. to an independent party, at a consideration of RMB27 million.

(c) On 20 August 2009, the Group disposed of 65% equity interest in Ningbo Jinsheng Property Co., Ltd., which was previously 75% owned by the Group, to an independent party, at a consideration of RMB13 million. The Group is subject to receive an additional consideration depending on the future performance of Ningbo Jinsheng Property Co., Ltd.

(d) On 31 October 2009, the Group disposed of 90% equity interest in Hangzhou Qianjiangwan Garden Property Co., Ltd., which was previously 90% owned by the Group, to an independent party, at a consideration of RMB27 million.

(e) On 30 November 2009, the Group disposed 100% equity interest in Shanghai Caohua Property Co., Ltd., which was previously wholly owned by the Group, to an independent party, at a consideration of RMB102 million.

7 Operating segments

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

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

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

7 Operating segments (continued)

(a) Segment results, assets and liabilities

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

(i) Segment assets and liabilities

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

(ii) Segment revenue and expenses

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

(iii) Segment profit

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

(iv) Inter-segment transactions

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

7 Operating segments (continued)

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

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

7 Operating segments (continued)

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

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the year ended 30 June 2009						
Revenue from external revenue, before sales taxes	3,679,208,099	6,178,984,103	8,727,677,755.	3,047,527,999	168,868,545	21,802,266,501
Inter-segment revenue	-	-	-	-	201,722,477	201,722,477
Reportable segment revenue, before sales taxes	**3,679,208,099**	**6,178,984,103**	**8,727,677,755**	**3,047,527,999**	**370,591,022**	**22,003,988,978**
Reportable segment profit	**706,482,418**	**908,462,362**	**1,962,998,177**	**846,806,159**	**33,178,898**	**4,457,928,014**
Interest income	9,008,570	20,255,093	13,039,673	7,709,903	4,419,326	54,432,565
Interest expense	8,298,174	50,978,754	54,576,629	36,882,581	19,162,213	169,898,351
Share of profits less losses of associates and jointly controlled entities (note (5))	(18,022,980)	(2,132,809)	151,907,469	256,471	-	132,008,151
Reportable segment assets (including investment in joint ventures)	24,724,571,174	40,877,864,204	40,831,620,355	12,433,310,150	697,822,262	119,565,188,145
Reportable segment liabilities	19,224,916,531	33,833,602,831	34,462,519,082	10,135,715,721	516,437,890	98,173,192,055

7 Operating segments (continued)

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

	2010 Jan-Jun	*2009 Jan-Jun*
Revenue		
Reportable segment revenue	16,955,888,252	22,003,988,978
Unallocated head office and corporate revenue	27,384,851	170,808,188
Sales taxes	(950,076,226)	(1,255,174,496.48)
Elimination of inter-segment revenue	(216,942,653)	(366,144,739)
Consolidated turnover	15,816,254,224	20,553,477,931
Profit		
Reportable segment profit	4,647,008,517	4,457,928,014
Elimination of inter-segment profit	(881,109,052)	(271,396,434)
Share of profits less losses of associates and jointly controlled entities	94,439,940	145,036,315
Other income	206,654,647	53,561,476
Other operating expenses, excluding provision for doubtful debts	(18,908,745)	(50,337,232)
Dividend income	236,573,500	12,154,819
Unallocated head office and corporate expenses	(136,518,456)	(155,941,601)
Land appreciation tax	692,744,364	306,388,819
Consolidated profit before taxation	4,840,884,715	4,497,394,176
Assets		
Reportable segment assets	156,029,737,671	119,565,188,145
Elimination of inter-segment receivables	(81,934,719,276)	(55,271,802,705)
Exchange Loss	-	1,287,775,238
Deferred tax assets	363,283,736	438,431,467
Unallocated head office and corporate assets	86,417,646,156	60,226,543,254
Consolidated total assets	160,875,948,287	126,246,135,399
Liabilities		
Reportable segment liabilities	120,995,177,540	98,173,192,055
Elimination of inter-segment payables	(65,263,322,452)	(48,694,002,575)
Deferred tax liabilities	363,283,736	438,431,467
Exchange Loss	-	1,287,775,238
Unallocated head office and corporate liabilities	56,361,000,686	33,235,797,519
Consolidated total liabilities	112,456,139,510	84,441,193,704

7 Operating segments (continued)

Notes:

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

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

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

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

(5) Share of profits less losses of associates and jointly controlled entities that is attributable to head office and not allocated to the respective segments is RMB 18,639,027 (2009: RMB 13,028,165).

8 Other income

	2010 Jan-Jun	*2009 Jan-Jun*
Forfeited deposits and compensation from customers	8,063,534	7,465,219
Gain on disposals of subsidiaries	62,784,054	7,176,572
Gain on disposals of interest in associates	-	406,596
Gain on disposals of other investment	100,937,645	60,000
Gain on disposals of property, plant and equipment	561,971	1,301,084
Other sundry income	34,307,443	37,152,005
	206,654,647	53,561,476

9 Other operating expenses

	2010 Jan-Jun	*2009 Jan-Jun*
Provision for doubtful debts	16,245,542	18,067,010
Donations	6,541,885	24,509,714
Loss on disposals of property, plant and equipment	871,183	-
Realised and unrealised loss on financial derivatives	5,810,671	4,577,413
Penalties	1,140,705	2,735,546
Other sundry expenses	4,544,301	18,514,560
	35,154,287	68,404,243

10 Personnel expenses

	2010 Jan-Jun	*2009 Jan-Jun*
Wages, salaries and other staff costs	550,442,059	471,757,082
Contributions to defined contribution plans	63,016,667	44,521,893
	613,458,726	516,278,975

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at the rates ranged from 10% to 22% (2009: from 10% to 22%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

11 Finance income and finance costs

	2010 Jan-Jun	*2009 Jan-Jun*
Interest income	137,027,378	122,577,386
Dividend income	236,573,500	12,154,819
Finance income	373,600,878	134,732,205
Interest expense and other borrowing costs	1,176,514,037	1,143,840,250
Less: Interest capitalised	(801,337,555)	(798,139,224)
Finance costs	375,176,482	345,701,026
Foreign exchange loss	10,995,237	1,138,294
Net finance costs	(12,570,841)	(212,107,115)

12 Taxation

(a) Taxation in the consolidated income statement represents:

	2010 Jan-Jun	*2009 Jan-Jun*
Current tax		
PRC Corporate Income Tax		
- Provision for the year	1,090,488,185	1,162,020,154
Land Appreciation Tax	748,264,949	380,647,052
	1,838,753,134	1,542,667,206
Deferred tax		
Fair value adjustments arising from business combinations		
- PRC Corporate Income Tax	(44,541,340)	(73,942,237)
- Land Appreciation Tax	(55,520,585)	(74,258,233)
Accrual for Land Appreciation Tax	66,593,912	(13,876,941)
Tax losses	(165,043,240)	(93,879,551)
Provision for diminution in value of properties	62,246,316	54,960,940
Accruals for construction costs	(27,581,226)	51,185,710
Other temporary differences	5,156,856	4,310,028
	(158,689,307)	(145,500,284)
	1,680,063,826	1,397,166,922

The provision for PRC Corporate Income Tax is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC range between 22% and 25% (2009: between 20% and 25%).

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

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

12 Taxation (continued)

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

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

	2010 Jan-Jun	*2009 Jan-Jun*
Profit before income tax	4,840,884,715	4,497,394,176
Less: Land Appreciation Tax	692,744,364	306,388,819
	4,148,140,351	4,191,005,357
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	983,564,693	1,073,072,452
Non-taxable income	(48,616,142)	(34,598,132)
Non-deductible expenses	51,639,753	1,629,468
Effect of tax losses not recognised	33,603,070	62,414,522
Recognition of previously unrecognised tax losses	(29,495,496)	(3,765,512)
Effect of unused tax losses recognised in prior years	295,494	-
Effect of temporary difference not recognised	-	947,005
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(3,671,910)	(8,921,700)
PRC Corporate Income Tax	987,319,462	1,090,778,103
Land Appreciation Tax	692,744,364	306,388,819
Actual total tax expense	1,680,063,826	1,397,166,922

(b) Taxation recognised directly in equity

	2010 Jan-Jun	*2009 Jan-Jun*
Arising from fair value adjustments on available-for-sale securities (note 24(c))	(24,666,306)	12,077,611
Others	-	-
	(24,666,306)	12,077,611

12 Taxation (continued)

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

	2010 Jan-Jun	*2009 Jan-Jun*
Corporate Income Tax	564,879,634	720,023,458
Land Appreciation Tax	3,567,290,063	3,465,174,045
	4,132,169,697	4,185,197,503

Land Appreciation Tax provisions have been made pursuant to Guo Shui Fa (2006) No 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The management considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of Land Appreciation Tax, the provisions have been recorded as current liabilities as at 30 June 2010 and 31 December 2009.

13 Other comprehensive income

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

	Jan-Jun.2010			*Jan-Jun.2009*		
	Before-tax amount	*Tax expense*	*Net-of-tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-tax amount*
Exchange differences on translation of financial statements of overseas subsidiaries	47,738,002	-	47,738,002	230,369	-	230,369
Available-for-sale securities: net movement in fair value reserve	(118,606,060)	24,666,306	(93,939,754)	60,388,057	(12,077,611)	48,310,446
Others	-	-	-	-	-	-
Other comprehensive Income	(70,868,058)	24,666,306	(46,201,752)	60,618,426	(12,077,611)	48,540,815

13 Other comprehensive income (continued)

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

	2010 *Jan-Jun* RMB	*2009* *Jan-Jun* RMB
Available-for sale securities:		
Gains/(loss) arising during the period	(2,183,281)	48,310,446
Less: Reclassification adjustments for gains included in profit	91,756,473	-
Net movement in the fair value reserve during the year recognised in other comprehensive income	(93,939,754)	48,310,446

14 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of 2,812,498,573 (2009: 2,524,392,406) and on the weighted average number of ordinary shares outstanding during the year of 10,995,210,218 (2009: 10,995,210,218) shares.

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

15 Dividends

A cash dividend of RMB0.07 per share, resulting in a dividend payment of RMB 769,664,716 in respect of the year ended 31 December 2009 was declared and paid during the reporting period ended 30 June 2010. As the dividends of RMB1,711,866 under the 2007 Employees' Share Award Scheme were reversed, the accumulated dividends paid amounted to RMB 771,376,582 during the reporting period

A cash dividend of RMB0.05 per share, resulting in a dividend payment of RMB549,760,511 in respect of the year ended 31 December 2008 was declared during the period ended 30 June 2009.

16 Property, plant and equipment

	Hotel and other buildings held for own use	*Improvements to premises*	*Plant and machinery*	*Furniture, fixtures and equipment*	*Motor vehicles*	*Total*
Cost:						
At 1 January 2009	1,274,268,771	76,140,788	26,226,836	180,480,657	90,150,078	1,647,267,130
Additions:						
- via acquisitions of subsidiaries	-	-	-	1,829,457	-	1,829,457
- others	286,578,946	8,874,508	262,924	15,328,150	7,879,982	318,924,510
Disposals	(157,500,457)	(14,958,775)	(284,494)	(9,929,704)	(9,908,872)	(192,582,302)
At 31 December 2009	1,403,347,260	70,056,521	26,205,266	187,708,560	88,121,188	1,775,438,795
At 1 January 2010	1,403,347,260	70,056,521	26,205,266	187,708,560	88,121,188	1,775,438,795
Additions:						
- via acquisitions of subsidiaries	-	-	-	3,949,950	-	3,949,950
- others	16,418,148	900,813	487,663	8,983,125	16,866,980	43,656,729
Disposals	(17,030,949)	(2,715,093)	(38,750)	(6,049,517)	(7,454,695)	(33,289,004)
At 30 June 2010	1,402,734,459	68,242,241	26,654,179	194,592,118	97,533,473	1,789,756,470

16 Property, plant and equipment (continued)

	Hotel and other buildings held for own use	*Improvements to premises*	*Plant and machinery*	*Furniture, fixtures and equipment*	*Motor vehicles*	*Total*
Accumulated depreciation and impairment loss:						
At 1 January 2009	150,629,531	38,650,942	9,698,874	99,458,158	58,228,694	356,666,199
Additions:						
- via acquisitions of subsidiaries	-	-	-	630,938	-	630,938
Charge for the year	43,582,084	5,720,427	1,368,366	26,715,773	9,897,271	87,283,921
Written back on disposals	(28,034,425)	(13,159,161)	(218,800)	(7,231,490)	(7,794,097)	(56,437,973)
At 31 December 2009	166,177,190	31,212,208	10,848,440	119,573,379	60,331,868	388,143,085
At 1 January 2010	166,177,190	31,212,208	10,848,440	119,573,379	60,331,868	388,143,085
Additions:						
- via acquisitions of subsidiaries	-	-	-	246,213	-	246,213
Charge for the year	29,306,035	3,166,755	751,659	11,075,475	5,070,480	49,370,404
Written back on disposals	(3,612,647)	(1,968,104)	(22,320)	(5,117,829)	(5,434,279)	(16,155,179)
At 30 June 2010	191,870,578	32,410,859	11,577,779	125,777,238	59,968,069	421,604,523
Net book value:						
At 30 June 2010	1,210,863,881	35,831,382	15,076,400	68,814,880	37,565,404	1,368,151,947
At 31 December 2009	1,237,170,070	38,844,313	15,356,826	68,135,181	27,789,320	1,387,295,710

17 Lease prepayments

	30 Jun.2010	*31 Dec.2009*
At 1 January	81,966,326	-
Additions	-	82,516,436
Amortisation for the year	(825,164)	(550,110)
At balance sheet date	81,141,162	81,966,326

Leasehold land of the Group is held in the PRC. At 30 June 2010, the remaining lease term of the land is 50 years.

18 Investment properties

	30 Jun.2010	*31 Dec.2009*
Cost:		
At 1 January	256,641,320	225,849,490
Transfer from completed properties for sale	-	117,043,338
Disposals	(122,325,448)	(86,251,508)
At balance sheet date	134,315,872	256,641,320
Accumulated depreciation and impairment loss:		
At 1 January	28,498,162	27,454,723
Charge for the year	2,252,625	7,738,355
Written back on disposals	(20,816,378)	(6,694,916)
At balance sheet date	9,934,409	28,498,162
Net book value:		
At balance sheet date	124,381,463	228,143,158

Investment properties comprise certain commercial properties that are leased to external parties. The directors, having regard to recent market transactions of similar properties in the same location as the Group's investment properties, consider the estimated fair value of the investment properties to be RMB130,298,067 (2009: RMB258,970,079).

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.2010	*31 Dec.2009*
Within 1 year	4,549,064	11,881,321
After 1 year but within 5 years	43,139,010	45,034,409
After 5 years	67,114,663	97,352,090
	114,802,737	154,267,820

19 Construction in progress

	30 Jun.2010	*31 Dec.2009*
At 1 January	593,208,234	188,587,023
Additions	127,222,794	622,987,458
Transferred out to property, plant and equipment	-	(218,366,247)
Transferred out to properties under development	-	-
	720,431,028	593,208,234

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

20 Principal subsidiaries

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	-	100%	Property development
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	60%	-	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB1,000,000,000	100%	90%	10%	Property development
Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100%	-	100%	Property management
Beijing Zhongliang Vanke Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	-	50%	Property development
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	95%	5%	Property development
Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100%	-	100%	Property management
Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	100%	-	100%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	-	100%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	-	60%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	-	90%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	-	100%	Property development
Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100%	-	100%	Property management
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	90%	10%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,300,000	51%	-	51%	Property development

20 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Dalian Vanke City Property Company Limited	Dalian	USD42,000,000	55%	-	55%	Property development
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	-	100%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	-	100%	Property development
Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100%	100%	-	Construction research
Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100%	-	100%	Property management
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	-	100%	Property development
Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	-	51%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	-	51%	Property development
Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	-	55%	Property development
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	-	100%	Property development
Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	-	100%	Property development
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	100%	-	Property development
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	-	50%	Property development
Guangzhou Vanke Property Management Company Limited	Guangzhou	RMB5,000,000	100%		100%	Property management
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB50,000,000	100%	-	100%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	-	100%	Property development
Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	100%	-	Property development
Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100%	-	100%	Property development
Hainan Vanke Property Development Company Limited	Haikou	RMB10,000,000	100%	100%	-	Property development
Hangzhou Liangzhu Culture Town Development Company Limited	Hangzhou	RMB30,000,000	100%	-	100%	Property development
Hangzhou Liangzhu Egret Bay Holiday Hotel Company Limited	Hangzhou	RMB10,000,000	100%	-	100%	Service
Hangzhou Linlu Property Development Company Limited	Hangzhou	RMB170,000,000	100%	-	100%	Property development
Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	-	100%	Property development
Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	-	100%	Property development

20 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	-	51%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB20,000,000	100%	100%	-	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	-	100%	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	100%	-	Property development
Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	100%	-	Property development
Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	-	100%	Property development
Nanjing Jinyu Blue Property Company Limited	Nanjing	RMB90,000,000	100%	-	100%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	100%	-	Property development
Ningbo Jiangbei Vanke Property Company Limited	Ningbo	RMB675,000,000	100%	-	100%	Property development
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	100%	-	Property development
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60%	-	60%	Property development
Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	100%	-	Property development
Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	80%	-	Property development
Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	-	95%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	-	50%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	99.8%	-	99.8%	Property development
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	-	100%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	-	100%	Property development
Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90%	-	90%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	-	100%	Property development
Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100%	100%	-	Property development
Shanghai Vanke Property Management Company Limited	Shanghai	RMB12,260,000	100%	-	100%	Property management
Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100%	-	100%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	-	100%	Property development

20 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	-	75%	Property development
Shanxi Hualian Property Development Company Limited	Xi'an	RMB367,850,000	51%	-	51%	Property development
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100%	-	100%	Property development
Shenyang Vanke Jinyu Blue Bay Property Development Company Limited	Shenyang	RMB578,150,000	100%	-	100%	Property development
Shenyang Vanke Property Management Company Limited	Shenyang	RMB10,000,000	100%	-	100%	Property management
Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100%	95%	5%	Property development
Shenyang Vanke Tianqinwan Property Company Limited	Shenyang	USD99,980,000	55%	-	55%	Property development
Shenzhen Fuchun East (Group) Company Limited	Shenzhen	RMB14,600,000	90%	-	90%	Property development
Shenzhen Fuchun East Real Estate Company Limited	Shenzhen	RMB158,000,000	100%	-	100%	Property development
Shenzhen Longcheer Yacht Club Company Limited	Shenzhen	RMB57,100,000	100%	-	100%	Club Service
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	-	100%	Property development
Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	-	100%	Property development
Shenzhen Vanke Financial Consultancy Company Limited	Shenzhen	RMB15,000,000	100%	95%	5%	Investment trading and Consultancy services
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	90%	-	90%	Property development
Shenzhen Vanke Property Management Company Limited	Shenzhen	RMB50,000,000	100%	95%	5%	Property management
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	95%	5%	Property development
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	-	100%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	-	60%	Property development
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	-	51%	Property development
Suzhou Nandu Jianwu Company Limited	Suzhou	RMB300,000,000	70%	70%	-	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	-	51%	Property development
Taiyuan Vanke Real Estate Company Limited	Taiyuan	RMB20,000,000	100%	100%		Property development

20 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Tander China Investment Company Limited	Hong Kong	HKD10,000	100%	-	100%	Investment
Tianjin Vanke Property Management Company Limited	Tianjin	RMB10,000,000	100%	-	100%	Property management
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100%	15%	85%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	100%	-	100%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB455,000,000	100%	-	100%	Property development
Tianjin Wanfu Investment Company Limited	Tianjin	RMB10,000,000	100%	-	100%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB20,000,000	100%	-	100%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB20,000,000	100%	-	100%	Property development
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB100,000,000	100%	100%	-	Property development
Vanke Property (Hong Kong) Company Limited	Hong Kong	USD9,500,000	100%	-	100%	Investment
Vanke Real Estate (Hong Kong) Company Limited	Hong Kong	HKD15,600,000	100%	80%	20%	Investment
Wuhan Guohao Property Company Limited	Wuhan	RMB10,000,000	55%	-	55%	Property development
Wuhan Vanke Property Management Company Limited	Wuhan	RMB12,000,000	100%	-	100%	Property management
Wuhan Vanke Real Estate Company Limited	Wuhan	RMB150,000,000	100%	95%	5%	Property development
Wuhan Vanke Tianrun Real Estate Company Limited	Wuhan	USD57,600,000	100%	-	100%	Property development
Wuhan Wangjiadun Morden City Property Company Limited	Wuhan	RMB200,000,000	90%	-	90%	Property development
Wuxi Dongcheng Real Estate Company Limited	Wuxi	USD149,400,000	100%	-	100%	Property development
Wuxi Vanke Real Estate Company Limited	Wuxi	RMB300,000,000	60%	60%	-	Property development
Wuxi Wansheng Real Estate Development Company Limited	Wuxi	USD49,200,000	55%	-	55%	Property development
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100%	-	100%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100%	100%	-	Property development
Yantai Vanke Property Development Co., Ltd.	Yantai	RMB30,000,000	100%	100%	-	Property development
Zhejiang Vanke Nandu Real Estate Company Limited	Hangzhou	RMB150,000,000	100%	-	100%	Property development
Zhenjiang RunduProperty Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development
Zhenjiang Runnan Property Company Limited	Zhenjiang	RMB50,000,000	100%	-	100%	Property development

20 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Zhenjiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development
Zhenjiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development
Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	100%	-	Property development
Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	95%	-	95%	Property development

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

21 Interest in associates

Details of the Group's principal associates at 30 June 2010 are as follows:

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Beijing Jinyu Vanke Property Development Company Limited	*Beijing*	RMB190,000,000	49.00%	-	49.00%	Property development
Beijing Vanke Consultancy Company Limited	*Beijing*	RMB100,000	20.00%	-	20.00%	Corporation consultation
Wuhan Golf City Gardern Real Estate Company Limited (note)	*Wuhan*	RMB219,000,000	49.00%	-	49.00%	Property development
Shanghai Nandu White Horse Real Estate Company Limited (note)	*Shanghai*	RMB27,000,000	49.00%	-	49.00%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note)	*Chengdu*	RMB140,000,000	49.00%	-	49.00%	Property development
Hefei Yihang Vanke Real Estate Company Limited (note)	*Hefei*	RMB101,500,000	50.00%		50.00%	Property development
Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note)	*Suzhou*	RMB280,000,000	49.00%	-	49.00%	Property development
Changsha Oriental City Real Esteate Company Limited	*Changsha*	RMB20,000,000	20.00%	-	20.00%	Property development
Shanghai Zunyi Property Management Company Limited	*Shanghai*	RMB3,000,000	30.00%	-	30.00%	Property management
Foshan Shunde District Zhonghang Vanke Property Company Limited	*Foshan*	RMB600,000,000	15.00%	-	15.00%	Property development
Shenzhen Mingjue Investment Development Company Limited	*Shenzhen*	RMB15,000,000	45.00%	-	45.00%	Investment and Consultation

21 Interest in associates (continued)

Details of the Group's principal associates at 30 June 2010 are as follows:

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Xiamen Wantefu Property Development Company Limited	*Xiamen*	RMB400,000,000	30.00%	-	30.00%	Property development
Guangzhou Yinyejunrui Property Development Company Limited (note)	*Guangzhou*	RMB10,000,000	49.90%	-	49.90%	Property development
Shanghai Jingyuan Property Development Company Limited	*Shanghai*	RMB30,000,000	45.00%	-	45.00%	Property development
Langfang Kuangshijiye Property Development Company Limited	*Langfang*	USD50,000,000	49.00%	-	49.00%	Property development
Changchun Vanke Jingcheng Property Development Company Limited	*changchun*	RMB10,000,000	49.00%	-	49.00%	Property development

Note: Except for the equity interest held directly, the Group also hold effective equity interest in these associates through the jointly controlled entity Zhonghang Vanke Company Limited.

Summary financial information on associates:

	Assets	*Liabilities*	*Equity attributable to parent*	*Revenue*	*Profit*
2010					
100 per cent	14,625,684,023	12,262,413,942	2,363,270,081	362,087,173	18,745,718
Group's effective interest	5,376,431,042	4,613,301,622	763,129,420	177,375,167	17,667,867
2009					
100 per cent	10,271,806,802	8,013,212,222	2,258,594,580	7,412,023,684	1,562,276,704
Group's effective interest	4,220,037,527	3,510,525,247	709,512,280	2,276,229,781	392,250,939

22 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 30 June 2010 are as follows:

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*Percentage of interest held by the Company*	*Percentage of interest held by a subsidiary*	*Principal activities*
Shenyang Yong Da Property Company Limited (note 1)	Shenyang	RMB197,235,443	49.00%	-	49%	Property development
Hangzhou Nandu Songcheng Property Company Limited	Hangzhou	RMB130,000,000	50.00%	-	50%	Property development
Shanghai Jialai Real Estate Development Company Limited (note 1)	Shanghai	RMB180,000,000	49.00%	-	49.00%	Property development
Zhonghang Vanke Company Limited(note 1)	Beijing	RMB3,000,000,000	40.00%	40.00%	-	Property development
Dongguan Vanke Property Company limited	Dongguan	RMB10,000,000,	50.00%	-	50.00%	Property development
Wuhan Vanke Qinganju Property Development Limited(note 1)	Wuhan	RMB100,000,000	30.00%	-	30.00%	Property development
Yunnan Vanke City Property Company Limited (note 2)	Kunming	RMB10,000,000,	51.00%	51.00%	-	Property development
Changsha Lingyu Real Estate Development Company Limited (note 1)	Changsha	RMB100,000,000	60.00%		60.00%	Property development
Changsha Lingyu Investment Company Limited(note 1)	Changsha	RMB100,000,000	60.00%		60.00%	Property development
Beijing Zhongliang Vanke Real Estate Development Company Limited (note 1)	Beijing	RMB800,000,000	50.00%	-	50.00%	Property development
Changchun Vanke Xizhigu Real Estate Development Company Limited	Changchun	RMB8,000,000	50.00%	-	50.00%	Property development
Shanghai Anhong Real Estate Investment Company Limited (note 2)	Shanghai	RMB5,000,000	65.00%	-	65.00%	Property development
Kunshan Vanke Fujie Real Estate Development Company Limited	Kunshan	RMB20,000,000	50.00%	-	50.00%	Property development
Tianjin Diwan Investment Company Limited (note 2)	Tianjin	RMB39,215,700	40.00%	-	40.00%	Property development
Hangzhou Xiangge Investment Management Company Limited (note 2)	Hangzhou	RMB2,000,000	50.00%	-	50.00%	Investment and Consultation

Notes:

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

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

22 Interest in jointly controlled entities (continued)

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

	30 Jun.2010	*31 Dec.2009*
Non-current assets	634,331,049	413,738,553
Current assets	7,481,729,134	6,212,322,249
Non-current liabilities	(41,650,000)	(82,050,000)
Current liabilities	(4,613,282,427)	(3,780,133,404)
Net assets	3,461,127,756	2,763,877,398
Income	377,215,935	969,474,034
Expenses	(300,443,862)	(819,864,110)
Profit for the year	76,772,073	149,609,924

23 Other financial assets

	30 Jun.2010	*31 Dec.2009*
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	83,614,701	91,993,324
- Listed in the PRC	24,894,312	163,629,472
	108,509,013	255,622,796

24 Deferred tax assets / (liabilities)

(a) Deferred tax assets

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

	30 Jun.2010	*31 Dec.2009*
Tax losses	454,867,992	289,824,752
Impairment loss of trade and other receivables	13,469,287	17,811,958
Provision for diminution in value of properties	93,923,814	156,170,130
Accruals for construction costs	172,702,315	145,121,089
Accrual for Land Appreciation Tax	508,815,810	575,409,722
Other temporary differences	80,497,643	81,311,828
	1,324,276,861	1,265,649,479

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

	30 Jun.2010	*31 Dec.2009*
Tax losses	672,756,743	1,006,670,048
Other temporary differences	78,410,794	158,420,591
	751,167,537	1,165,090,639

The tax losses expire between 2011 and 2015. The deductible temporary differences will not expire under the current tax legislation. The above deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

24 Deferred tax assets / (liabilities) (continued)

(b) *Deferred tax liabilities*

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

	30 Jun.2010	*31 Dec.2009*
Fair value adjustments on available-for-sale securities	(3,636,707)	(28,303,017)
Fair value adjustments arising from business combinations	(1,092,903,844)	(1,192,965,769)
	(1,096,540,551)	(1,221,268,786)

(c) *Movements in deferred taxation, net:*

	30 Jun.2010	*31 Dec.2009*
At 1 January	44,380,693	68,993,006
Transferred to consolidated income statement (note 12(a))	158,689,307	(6,855,066)
Recognised in other comprehensive income (note 13(a))	24,666,306	(17,757,247)
At balance sheet date	227,736,306	44,380,693

25 Inventories

	30 Jun.2010	*31 Dec.2009*
Raw materials	61,175,949	59,998,046
Inventories recognised as cost of sales for the year	5,002,633	11,432,652

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

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

	30 Jun.2010	*31 Dec.2009*
With lease term of 50 years or more	73,041,949,080	56,788,947,082
With lease term of less than 50 years	4,914,097,193	3,624,287,723
	77,956,046,273	60,413,234,805

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

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

	30 Jun. 2010	*31 Dec. 2009*
Carrying amount of properties sold	10,060,743,066	34,219,897,859
Write down of properties	-	150,693
Reversal of write-down of properties	(248,380,000)	(616,565,282)
	9,812,363,066	33,603,483,270

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

27 Trade and other receivables

	30 Jun. 2010	*31 Dec. 2009*
Debtors and other receivables	6,417,140,941	4,381,802,497
Less: allowance for doubtful debts	(178,896,385)	(163,638,185)
	6,238,244,556	4,218,164,312
Amount due from associates and jointly controlled entities	5,920,786,504	4,281,498,407
Less: allowance for doubtful debts	(499,886)	(661,378)
	5,920,286,618	4,280,837,029
Prepaid taxes	3,324,492,830	1,979,482,542
Deposits and prepayments	6,435,960,420	6,756,836,958
	21,918,984,424	17,235,320,841

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

The Group's credit policy is set out in note 39(b).

All of the trade and other receivables, apart from deposits of RMB401million (2009: RMB374 million), are expected to be recovered within one year.

27 Trade and other receivables (continued)

Impairment of trade debtors and other receivables

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

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

	30 Jun. 2010	*31 Dec. 2009*
At 1 January	164,299,563	142,462,053
Impairment loss recognised	16,245,542	28,275,933
Uncollectible amounts written off	(1,148,834)	(6,438,423)
At balance sheet date	179,396,271	164,299,563

At 30 June 2010, the Group's trade debtors and other receivables of RMB179 million, (2009: RMB164 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB179 million (2009: RMB164 million) were recognised. The Group does not hold any collateral over these balances.

28 Cash and cash equivalents and pledged deposits

Cash and cash equivalents and pledged deposits consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB1,112 million with restriction for designated purposes.

29 Share capital

	30 Jun. 2010		*31 Dec. 2009*	
	Number of shares	*Nominal value*	*Number of shares*	*Nominal value*
Registered, issued and fully paid:				
A shares of RMB1 each	9,680,254,750	9,680,254,750	9,680,254,750	9,680,254,750
B shares of RMB1 each	1,314,955,468	1,314,955,468	1,314,955,468	1,314,955,468
	10,995,210,218	10,995,210,218	10,995,210,218	10,995,210,218

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

A summary of the movements in the Company's share capital during 2010 is as follows:

	Issued share capital		
	A shares	*B shares*	*Total*
At 1 January 2010	9,680,254,750	1,314,955,468	10,995,210,218
At 30 June 2010	9,680,254,750	1,314,955,468	10,995,210,218

There were no movements in share capital during 2010.

30 Reserves

(a) *Statutory reserves*

Statutory reserves include the following items:

(i) Statutory surplus reserve

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

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

For the year ended 30 June 2010, the Company transferred RMB nil (2009: RMB287,447,528), being 10% of the Company's current year's net profit as determined in according with the PRC Accounting Rules and Regulations, to this reserve.

30 Reserves (continued)

(a) Statutory reserves (continued)

(ii) Discretionary surplus reserve

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

For the year ended 30 June 2010, the directors proposed to transfer RMB nil (2009: RMB1,868,408,931), being nil (2009: 65%) of the Company's current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(b) Employee share-based compensation reserve

As the market performance condition could not be met, the Employees' Share Award Scheme for year 2007 was terminated. All the Awarded shares held under the 2007 Scheme were sold in the capital market. The proceeds from the sale of shares, together with interest, amounted to RMB468,728,084, were returned to the Company on 25 January 2010. The dividends of RMB1,711,866 under the 2007 Scheme were reversed. As of now, the implementation of the Company's Employees' Share Award Scheme has been completed.

(c) Revaluation reserve

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

(d) Capital management

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

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

31 Interest-bearing borrowings and bonds

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

	30 Jun. 2010	*31 Dec. 2009*
Non-current		
Secured or guaranteed		
- bank loans (note (a))	5,038,196,770	2,300,254,991
- corporate bonds (note (b))	2,926,001,721	2,915,228,176
- other borrowings(note(c))	-	1,200,000,000
	7,964,198,391	6,415,483,167
Unsecured		
- bank loans	5,825,335,341	5,218,451,222
- corporate bonds (note (b))	2,881,215,419	2,878,507,630
- other borrowings (note (c))	8,761,815,611	8,784,092,083
	17,468,366,371	16,881,050,935
	25,432,564,762	23,296,534,102

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

	30 Jun. 2010	*31 Dec. 2009*
After 1 year but within 2 years	14,128,307,858	15,934,138,520
After 2 years but within 5 years	11,304,256,904	7,362,395,582
	25,432,564,762	23,296,534,102

31 Interest-bearing borrowings and bonds (continued)

	30 Jun. 2010	*31 Dec. 2009*
Current		
Secured or guaranteed		
- bank loans (note (a))	80,000,000	150,000,000
- current portion of long term bank loans (note (a))	1,400,677,342	1,258,730,915
- current portion of long term other borrowings (note (c))	1,200,000,000	-
	2,680,677,342	1,408,730,915
Unsecured		
- bank loans	943,308,333	1,038,256,111
- current portion of long term bank loans	5,864,000,000	6,181,683,452
- current portion of long term other borrowings (note (c))	3,928,342,145	-
	10,735,650,478	7,219,939,563
	13,416,327,820	8,628,670,478

Notes:

(a) Bank loans

The secured or guaranteed bank loans of RMB6,519 million as at 30 June 2010(2009: RMB3,709 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB3,878 million (2009: RMB3,496 million), the Group's interests in certain subsidiaries.

The interest rate of bank loans ranges from 4.86% to 8.33% in 2010 (2009: from 4.86% to 8.33%).

(b) Corporate bonds

	2009	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,873,650,747	2,894,365,250
Transaction costs amortised	4,856,883	20,862,926
Carrying value at 31 December	2,878,507,630	2,915,228,176

31 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(b) Corporate bonds (continued)

	2010	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,878,507,630	2,915,228,176
Transaction costs amortised	2,707,789	10,773,545
Carrying value at 30 June	2,881,215,419	2,926,001,721

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

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

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

(c) Other borrowings

	30 Jun. 2010	*31 Dec. 2009*
Non-current		
Proceeds	9,000,000,000	10,200,000,000
Transaction costs	(238,184,389)	(215,907,918)
	8,761,815,611	9,984,092,082
Current		
Proceeds	-	-
	-	-
Current portion of long term other borrowings		
Proceeds	5,200,000,000	-
Transaction costs	(71,657,855)	-
	5,128,342,145	-

31 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(c) Other borrowings (continued)

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rate. The interest rate of these borrowings ranges from5.00% to 5.40% in 2010 (2009: 4.90% to 5.40%).

Other borrowings of RMB nil as at 30 June 2010(2009: RMB 1,200 million) were guaranteed by a third party.

32 Other long term liabilities

Other long term liabilities at 30 June 2010 and 2009 mainly represented consideration payable in connection with acquisitions of subsidiaries and was due for settlement by instalments in 2011 and 2012.

33 Trade and other payables

	2010	*2009*
Trade payable	13,345,146,051	16,300,047,906
Amounts due to associates	230,636,309	24,046,337
Amounts due to jointly controlled entities	1,057,778,820	900,009,782
Deposits received in advance	45,384,939,824	31,734,801,164
Other payables and accrued expenses	8,212,101,845	6,101,542,047
Other taxes	100,532,392	183,964,631
Total	68,331,120,744	55,244,411,867

34 Provisions

	2010	*2009*
Balance at 1 January	34,355,815	41,729,468
Provisions made during the year	2,025,106	2,667,737
Provisions used during the year	(2,771,171)	(10,041,390)
Balance at balance sheet date	33,609,750	34,355,815

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

35 Employees' share award scheme

Pursuant to a shareholders' resolution passed on 30 May 2006, the Company adopted an Employees' Share Award Scheme for each of the years ended 31 December 2006, 2007 and 2008. The vesting conditions of the 2006 Scheme had been met, and the relevant awarded shares were transferred to the eligible employees' accounts in 2008. The implementation of the 2008 Scheme was terminated because the non-market performance condition could not be met in 2008. The proceeds from the sale of the shares under the 2008 Scheme were transferred to the Company on 25 May 2009. The implementation of the 2007 Scheme was terminated because the market performance condition could not be met during the waiting period. The proceeds from the sale of the shares under the 2007 Scheme were transferred to the Company on 25 January 2010. As of now, the implementation of the Company's Employees' Share Award Scheme has been completed.

36 Material related party transactions

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

Associates	(note 21, 27 & 33)
Jointly controlled entities	(note 22, 27 & 33)
Key management personnel	(see note (b) below)
Post-employment benefit plans	(note 10)

(b) Key management personnel compensations

The key management personnel compensations are as follows:

	2010 Jan. – Jun.	*2009 Jan. – Jun.*
Short-term employee benefits	5,310,268	4,224,400

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

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

	2010 Jan. – Jun.	*2009 Jan. – Jun.*
Sales of properties to the key management personnel	5,132,112	-
Related cost of sales	(2,621,867)	-
Gross profit	2,510,345	-

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

37 Commitments

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

	30 Jun. 2010	31 Dec. 2009
Contracted for	35,554,732,403	25,845,776,320

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

(b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 Jun. 2010	31 Dec. 2009
Within 1 year	17,515,899	25,616,859
After 1 year but within 2 years	9,931,914	9,172,514
After 2 year but within 5 years	11,316,365	4,619,928
After 5 years	-	-
	38,764,179	39,409,301

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to ten years. None of the leases includes contingent rentals. During the period, the operating lease expense of the Group amounted to RMB20 million (2009: RMB36 million).

38 Contingent liabilities

As at the balance sheet date, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB22,381 million (2009: RMB22,083 million), including guarantees of RMB22,060 million (2009: RMB21,272 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 RMB320 million (2009: RMB811 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

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

39 Financial risk management

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

(a) Interest rate risk

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

At 30 June 2010, it is estimated that a general increase of 0.5% in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately RMB52 million (2009: RMB12 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2009.

(b) Credit risk

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

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

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

(c) Liquidity risk

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

39 Financial risk management (continued)

(c) Liquidity risk (continued)

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

	2010				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Interest-bearing borrowings	33,041,675,441	35,899,374,777	14,702,381,333	15,488,399,766	5,708,593,679
Corporate bonds	5,807,217,141	7,065,333,333	368,000,000	368,000,000	6,329,333,333
Creditors and accrued charges	24,202,976,532	24,202,976,532	24,202,976,532	-	-
Amounts due to jointly controlled entities and associates	1,288,415,129	1,288,415,129	1,288,415,129	-	-
Other long term liabilities	8,735,986	8,735,986	-	-	8,735,986

	2009				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Interest-bearing borrowings	26,131,468,775	28,828,225,766	10,235,713,530	16,974,290,816	1,618,221,420
Corporate bonds	5,793,735,806	7,249,333,333	368,000,000	368,000,000	6,513,333,333
Creditors and accrued charges	22,401,589,953	22,401,589,953	22,401,589,953	-	-
Amounts due to jointly controlled entities and associates	924,056,119	924,056,119	924,056,119	-	-
Other long term liabilities	8,408,145	8,408,145	-	-	8,408,145

(d) Foreign exchange risk

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

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

	30 Jun. 2010	31 Dec. 2009
United States Dollars	1,496,958,094	806,368,281
Hong Kong Dollars	16,072,731	8,147,723

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

	30 Jun. 2010	31 Dec. 2009
United States Dollars	4,493,137,913	2,602,202,906
Hong Kong Dollars	-	-

39 Financial risk management (continued)

(d) Foreign exchange risk (continued)

Financial assets at fair value through profit or loss denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	30 Jun. 2010	31 Dec. 2009
United States Dollars	-	-

Sensitivity analysis

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

		30 Jun.2010		*31 Dec.2009*	
	Increase / (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits*	*Effect on other components of equity*	*Effect on profit after tax and retained profits*	*Effect on other components of equity*
United States Dollars	10%	224,713,486	224,524,564	134,687,597	134,492,028
United States Dollars	(10%)	(224,713,486)	(224,524,564)	(134,687,597)	(134,492,028)
Hong Kong Dollars	10%	(1,205,455)	(331,028,698)	(611,079)	(213,039,426)
Hong Kong Dollars	(10%)	1,205,455	331,028,698	611,079	213,039,426

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 23). The Group monitors the performance of the available-for-sale equity securities regularly.

40 Non-adjusting post balance sheet events

After the balance sheet date the directors proposed a final dividend, further details of which are disclosed in note 15.

41 Accounting estimates and judgments

Key sources of estimation uncertainty

(i) Impairment provision for properties held for development

As explained in note 3(h), the Group makes impairment provision for properties held for development taking into account the Group's estimates of the recoverable amount from such properties. Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Impairment provision for completed properties for sale and properties under development

As explained in notes 3(j) and 3(k), the Group's completed properties for sale and properties under development 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 case for properties under development, and the costs to be incurred in selling the properties. Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(iii) Land appreciation tax

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

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2010

Up to date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2010 and which have not been adopted in these financial statements.

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

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

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

	Effective for accounting periods beginning on or after
IFRS 9, *Financial Instruments*	1 January 2013
Amendments to IAS 24, *Related Party Disclosures*	1 January 2011