CHINA VANKE CO., LTD.*

萬科企業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2202)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

I Interim Results

The board of directors (the **"Board"**) of China Vanke Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014 (the "**Period**" or the "**Report Period**"), which has been prepared in accordance with International Accounting Standard("**IAS**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2014

		Six months ended 30 June	
	Note	*2014*	*2013*
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	3	38,509,883	38,940,809
Cost of sales		(28,307,345)	(27,501,464)
Gross profit		10,202,538	11,439,345
Other revenue	4	437,533	359,642
Other net income	5	862,291	33,201
Distribution costs		(1,542,286)	(1,431,103)
Administrative expenses		(1,459,481)	(1,230,601)
Other operating expenses		(67,102)	(98,945)
Profit from operations		8,433,493	9,071,539
Finance costs		(803,117)	(678,604)
Share of profits less losses of associates	6	619,200	198,699
Share of profits less losses of joint ventures		152,173	188,930
Profit before taxation	7	8,401,749	8,780,564
Income tax	8	(2,909,269)	(3,444,673)
Profit for the period		**5,492,480**	**5,335,891**
Attributable to:			
Equity shareholders of the Company		4,809,238	4,556,305
Non-controlling interests		683,242	779,586
Profit for the period		**5,492,480**	**5,335,891**
Basic earnings per share (RMB)	9	0.44	0.41

*for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit for the period		5,492,480	5,335,891
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(81,087)	25,671
Available-for-sale securities: net movement in the fair value reserve		13,662	449
Other comprehensive income for the period		(67,425)	26,120
Total comprehensive income for the period		5,425,055	5,362,011
Attributable to:			
Equity shareholders of the Company		4,741,813	4,582,425
Non-controlling interests		683,242	779,586
Total comprehensive income for the period		5,425,055	5,362,011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	At 30 June *2014* RMB'000 (Unaudited)	At 31 December *2013* RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	3,144,341	3,475,223
Investment properties		6,444,121	6,366,655
Intangible assets		534,686	263,487
Interest in associates		6,548,865	3,633,457
Interest in joint ventures		8,659,596	6,897,969
Other financial assets		133,180	2,572,246
Other non-current assets		11,291,977	10,424,440
Deferred tax assets		3,699,227	3,525,262
		40,455,993	37,158,739
Current assets			
Inventories	11	339,897,167	329,731,930
Trade and other receivables	12	78,819,973	68,218,739
Pledged deposits		1,149,397	1,361,261
Cash and cash equivalents		41,712,324	43,004,149
		461,578,861	442,316,079
Current liabilities			
Bank loans and borrowings from financial institutions		22,281,656	32,624,307
Financial derivatives		7,676	11,687
Trade and other payables	13	307,258,820	287,930,076
Current taxation		6,612,762	8,355,764
		336,160,914	328,921,834
Net current assets		125,417,947	113,394,245
Total assets less current liabilities		**165,873,940**	**150,552,984**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2014

	Note	At 30 June *2014* RMB'000 (Unaudited)	At 31 December *2013* RMB'000 (Audited)
Non-current liabilities			
Bank loans and borrowings from financial institutions		49,210,595	36,683,128
Bonds payable		9,900,822	7,398,392
Deferred tax liabilities		920,832	942,209
Provisions		73,303	46,877
Other non-current liabilities		48,508	42,955
		60,154,060	45,113,561
NET ASSETS		105,719,880	105,439,423
CAPITAL AND RESERVES			
Share capital	14	11,015,027	11,014,969
Reserves		65,873,448	65,881,014
Total equity attributable to equity shareholders of the Company		76,888,475	76,895,983
Non-controlling interests		28,831,405	28,543,440
TOTAL EQUITY		105,719,880	105,439,423

Notes:

1 Basis of preparation

China Vanke Co., Ltd. (the "**Company**") is a company incorporated and registered in the People's Republic of China (the "**PRC**"). These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures. The Group's principal activities are development and sale of properties in the PRC.

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue by the Board on 15 August 2014.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2. The 2013 annual financial statements have been attached in the listing document published on June 23 2014.

The preparation of an interim financial statements were in conformity with IAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

2 Changes in accounting policies

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

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-financial Assets
- Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting
- International Financial Reporting Interpretations Committee("**IFRIC**") 21, Levies

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities

The amendments provide consolidation relief to those parent companies which qualify to be investment entities as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have any impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the group.

Amendments to IAS 36, Recoverable Amount Disclosures for Non-financial Assets

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or a cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments do not have any impact on the Group's interim financial report as the Group does not engage in the derivative under the specified criteria.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 Revenue and segment reporting

The principal activities of the Group are development and sale of properties in the PRC.
The Group's revenue mainly represents income from sale of properties, construction contract, property management and related services, and others earned during the Period, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Sale of properties	37,190,134	37,870,769
Construction contracts	362,791	351,894
Property management and related services	790,223	554,294
Others	166,735	163,852
Consolidated turnover	**38,509,883**	**38,940,809**

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

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 result assessment, the Group has presented the following five reportable segments.

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

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

(a) Information about revenue, profit or loss, assets and liabilities

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

Segment assets include all tangible, intangible assets, other investments and current assets with the exception of deferred income tax assets, unallocated head office and corporate assets. Segment liabilities include trade and other payables, accruals, bank loans and borrowings from financial institutions, and the provision for the estimated losses to be borne by the Group in relation to the property management projects, but excluding deferred income tax liabilities, unallocated head office and corporate liabilities.

Revenue is allocated to the reportable segments with reference to sales generated by those segments.
The measure used for reporting segment profit is the profit before taxation, excluding share of profits or losses of associates or joint ventures, dividend income, other net income, and other operating expenses, but including net exchange differences and provision for doubtful debts and the profit arising from the inter-segment transactions.

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

	Real Estate Development (note(1))					
	Beijing region RMB'000	*Guangshen region* RMB'000	*Shanghai region* RMB'000	*Chengdu region* RMB'000	*Property management* RMB'000	*Total* RMB'000
For the six months ended 30 June 2014						
Revenue from external customers	7,228,130	13,456,747	9,967,297	6,989,626	826,504	38,468,304
Inter-segment revenue	-	-	-	-	300,530	300,530
Reportable segment revenue	7,228,130	13,456,747	9,967,297	6,989,626	1,127,034	38,768,834
Reportable segment profit	613,666	3,538,558	1,552,073	1,173,234	89,441	6,966,972
Reportable segment assets as at 30 June 2014	130,664,400	153,409,060	148,133,796	93,716,825	4,387,028	530,311,109
Reportable segment liabilities as at 30 June 2014	108,930,404	136,118,119	130,149,337	84,386,527	3,751,411	463,335,798

	Real Estate Development (note(1))					
	Beijing region RMB'000	*Guangshen region* RMB'000	*Shanghai region* RMB'000	*Chengdu region* RMB'000	*Property management* RMB'000	*Total* RMB'000
For the six months ended 30 June 2013						
Revenue from external customers	6,290,256	13,786,274	7,679,244	10,565,370	584,115	38,905,259
Inter-segment revenue	-	-	-	-	315,087	315,087
Reportable segment revenue	6,290,256	13,786,274	7,679,244	10,565,370	899,202	39,220,346
Reportable segment profit	954,094	3,745,991	984,469	2,703,134	2,129	8,389,817
Reportable segment assets as at 31 December 2013	128,235,137	149,990,835	143,642,921	93,395,165	4,229,476	519,493,534
Reportable segment liabilities as at 31 December 2013	105,186,108	127,572,661	124,097,766	83,246,700	3,634,335	443,737,570

Note (1): Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang, Fushun, Qinhuangdao, Jinzhong and Jinan.
Guangshen region represents Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, Hainan, Nanning, Putian and Quanzhou.
Shanghai region represents Shanghai, Hangzhou, Su'nan, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu, Wenzhou, Nantong, Changzhou and Xuzhou.
Chengdu region represents Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang, Urumqi and Zhengzhou.

(ii) Reconciliation of reportable segment financial information

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	38,768,834	39,220,346
Elimination of inter-segment revenue	(300,530)	(315,087)
Unallocated head office and corporate revenue	41,579	35,550
Consolidated turnover	**38,509,883**	**38,940,809**
Profit		
Reportable segment profit	6,966,972	8,389,817
Elimination of inter-segment profit	498,117	543,258
Reportable segment profit derived from the Group's external customers	7,465,089	8,933,075
Share of profits less losses of associates and joint ventures	771,373	387,629
Dividend income	1,958	1,418
Other net income, excluding net exchange difference	841,120	49,207
Other operating expenses, excluding provision for doubtful debts	(36,207)	(21,046)
Other unallocated expenses	(641,584)	(569,719)
Consolidated profit before taxation	**8,401,749**	**8,780,564**

	At 30 June	At 31 December
	2014	*2013*
	RMB'000	RMB'000
Assets		
Reportable segment assets	530,311,109	519,493,534
Elimination of inter-segment receivables	(235,759,182)	(248,637,988)
Unallocated head office and corporate assets	207,482,927	208,619,272
Consolidated total assets	**502,034,854**	**479,474,818**
Liabilities		
Reportable segment liabilities	463,335,798	443,737,570
Elimination of inter-segment payables	(220,161,628)	(229,033,534)
Unallocated head office and corporate liabilities	153,140,804	159,331,359
Consolidated total liabilities	**396,314,974**	**374,035,395**

4 Other revenue

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Interest income	435,575	358,224
Dividend income	1,958	1,418
	437,533	359,642

5. Other net income

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Forfeited deposits and compensations from customers	49,596	26,818
Gain / (loss) on disposals of subsidiaries	737,579	(11)
Net gain / (loss) on disposals of other investments	1,157	(1,493)
Net loss on disposals of property, plant and equipment	(1,280)	(5,016)
Net realised and unrealised gain on financial derivatives	2,895	1,464
Net exchange gain / (loss)	21,171	(16,006)
Other sundry incomes	51,173	27,445
	862,291	33,201

6. Share of profits less losses of associates

The Group's Share of profits less losses of associates in the Reporting Period amounted to RMB619,200 thousand (six months ended 30 June 2013: RMB198,699 thousand).

In October 2013, the Group invested in Huishang Bank Corporation Limited ("Huishang Bank")'s initial public offering of H shares on The Stock Exchange of Hong Kong Limited as a cornerstone investor. The aggregated number of shares subscribed by the Group accounted for 8 percent of the total equity shares of Huishang Bank, and the Group recognised the equity investment in Huishang Bank as other financial assets.

In the reporting period, the Group commenced to participate in the operating decision of Huishang Bank, therefore, classified the equity investment in Huishang Bank as interest in associates, and recognised a book accounting gain of RMB202,766 thousand representing negative goodwill.

Up to the announcement date, since Huishang Bank has not announced the interim result of 2014, the Group's share of profit of Huishang Bank for the first half of 2014 was prudently booked according to the estimation referred to 2013 Annual Results Announcement of Huishang Bank. However, it should be noted that the estimation will might differ from Huishang Bank's interim results of 2014 announced later.

7 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Interest on interest-bearing borrowings	3,356,120	2,992,052
Less: Interest expense capitalised into Inventories, investment properties and construction in progress	(2,553,003)	(2,313,448)
	803,117	678,604

(b) Other items

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Depreciation and amortisation	203,921	91,128
Impairment loss on trade and other receivables	30,892	77,899
Cost of properties sold	27,167,561	26,580,291
Operating lease charges in respect of properties	55,561	43,840

8 Income tax

	Six months ended 30 June	
	2014	*2013*
	RMB'000	RMB'000
Current tax		
Provision for Corporate Income Tax ("**CIT**") and Hong Kong Profits Tax(i)	1,855,865	2,235,716
Provision for Land Appreciation Tax("**LAT**")(ii)	1,288,205	1,659,736
Withholding tax(iii)	38,926	21,138
	3,182,996	3,916,590
Deferred tax		
Fair value adjustments arising from business combinations		
- CIT and Hong Kong Profits Tax	(12,756)	(15,553)
- LAT	(8,931)	(12,585)
Accrual for LAT	(11,239)	(110,886)
Tax losses	(252,421)	(312,965)
Accruals for construction costs	(19,254)	(81,304)
Withholding tax	268	(17,632)
Unrealised profits	80,970	(37,706)
Other temporary differences	(50,364)	116,714
	(273,727)	(471,917)
	2,909,269	3,444,673

(i) CIT and Hong Kong Profits Tax
The provision for CIT is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC are 25% (2013: 25%), except for certain subsidiaries which enjoy a preferential income tax rate.
The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period.

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

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

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB4,809,238 thousand (six months ended 30 June 2013: RMB4,556,305 thousand) and the weighted average of 11,014,998,019 (six months ended 30 June 2013: 11,004,639,044) shares during the Period.

Weighted average number of shares:

	2014	*2013*
	Share'000	Share'000
Issued shares at 1 January	11,014,969	10,995,553
Effect of share options exercised	29	9,086
Weighted average number of shares at 30 June	11,014,998	11,004,639

(b) Diluted earnings per share

The Group has an A share option scheme which was adopted on 25 April 2011. The scheme gives rise to potential A shares of the Company. The potential A shares had no diluted effect for the six months ended 30 June 2014 and the year ended 31 December 2013, but may have diluted effect in future years.

10. Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired items of plant and machinery with a cost of RMB175,380 thousand (six months ended 30 June 2013: RMB333,472 thousand). Items of plant and machinery with a net book value of RMB64,543 thousand were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB31,780 thousand), resulting in a loss on disposal of RMB1,280 thousand (six months ended 30 June 2013: RMB5,016 thousand).

There is no impairment recognised for property, plant and equipment as at the end of Reporting Period.

11. Inventories

	At 30 June	At 31 December
	2014	*2013*
	RMB'000	RMB'000
Properties held for development	95,803,878	124,374,532
Properties under development	224,496,411	187,280,382
Completed properties for sale	19,227,701	17,717,311
Others	369,177	359,705
	339,897,167	329,731,930

12. Trade and other receivables

	At 30 June *2014* RMB'000	At 31 December *2013* RMB'000
Trade debtors	2,255,279	3,115,719
Less: allowance for doubtful debts	(45,035)	(36,749)
	2,210,244	3,078,970
Other debtors	19,091,062	18,146,944
Amounts due from associates	7,085,640	5,827,704
Amounts due from joint ventures	16,456,154	10,840,669
Prepayments	31,945,814	28,653,665
Gross amount due from customers for contract work	2,031,059	1,670,787
	78,819,973	68,218,739

Trade receivables are mainly arisen from sales of properties. The proceeds in respect of sales of properties are receivable in accordance with the terms stipulated in the related sale and purchase agreements.

As of the end of the Reporting Period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date the trade debtors recognised and net of allowance for doubtful debts, is as follows:

	At 30 June *2014* RMB'000	At 31 December *2013* RMB'000
Within 1 year	1,688,259	2,650,005
1 to 2 years	396,763	264,508
2 to 3 years	94,169	143,763
Over 3 years	31,053	20,694
Trade debtors net of allowance for doubtful debts	2,210,244	3,078,970

13. Trade and other payables

	At 30 June *2014* RMB'000	At 31 December *2013* RMB'000
Trade creditors and bills payable	76,276,789	78,742,359
Other payables and accruals	37,598,759	40,804,149
Amounts due to associates	1,752,520	2,519,356
Amounts due to joint ventures	10,101,019	10,346,141
Receipts in advance	181,529,733	155,518,071
	307,258,820	287,930,076

As at the end of the Reporting Period, the ageing analysis of trade creditors and bills payables, which are included in trade and other payables, based on the invoice date is as follows:

	At 30 June *2014* RMB'000	At 31 December *2013* RMB'000
Within 1 year	68,735,117	72,004,624
Over 1 year but within 2 years	5,179,793	4,647,128
Over 2 years	2,361,879	2,090,607
	76,276,789	78,742,359

14. Share capital and dividends

(a) Share capital:

	At 30 June *2014* RMB'000	At 31 December *2013* RMB'000
Authorised, issued and fully paid:		
A shares of RMB1 each	9,700,072	9,700,014
B shares of RMB1 each	-	1,314,955
H shares of RMB1 each	1,314,955	-
	11,015,027	11,014,969

On 25 June 2014, all the Company's domestically listed foreign shares (B shares) changed the listing location and converted into overseas listed foreign shares (H shares), which were listed by way of introduction on the Main Board of the Stock Exchange of Hong Kong Limited.

A shares included 28,158,561 restricted tradable shares (31 December 2013: 23,828,261 shares) .

The holders of A and H shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All A and H shares rank *pari passu* with regard to the Company's residual assets.

During the Reporting Period, the Company issued 58,200 A shares (six months ended 30 June 2013: 18,171,851 A Shares) upon exercise of share options under the share option scheme.

(b) Dividends

(i) No dividend has been declared in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: RMB Nil).

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

	Six months ended 30 June *2014* RMB'000	*2013* RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB0.41 per share (2013: RMB0.18 per share)	4,516,137	1,981,401

II Management Discussion and Analysis

Changes in market environment and analysis of such changes

The sales area of commodity residential properties in the country (hereinafter "**Mainland China**") in 2013 rose by 17.5% year-on-year, while it leapt by 30.4% year-on-year in the first half of 2013, Comparing with a relatively high comparative figure of 2013, the sales area of commodity residential properties for the first half of 2014 declined by 7.8% year-on-year to 425 million sq m. However, when compared with the same period of 2012, the figure for the first half of 2014 represented a 20.2% increase.

In the 14 major cities (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi, and Suzhou) where historical data for a number of consecutive years was available for study, sales area of commodity residential properties in the first half of 2014 declined by 21.7% year-on-year, indicating a relatively big year-on-year adjustment. However, the same figure represented only a 3.0% decrease when compared with that of the first half of 2012.

During the Reporting Period, the approved pre-sales area of commodity residential properties of the aforementioned 14 cities continued to sustain growth momentum. However, the growth rate declined from 16.5% of the same period last year to 9.8%. In the first quarter, the approved pre-sales area of commodity residential properties was basically the same as that of the sales area. New properties launched in the second quarter increased significantly from that of the first quarter, with an approved pre-sales area to sales area ratio of 1.51 times. As at the end of June 2014, the area of new housing inventories (the area of commodity residential properties with sales permit but not yet sold) in the aforementioned 14 cities increased from 122 million sq m at the end of 2013 to 135 million sq m. The duration for the market to absorb housing inventory (calculated based on the moving average sales area of the latest three months) increased from 9.8 months at the end of 2013 to 15.4 months.

In the first half of the year, growth rate of investment in residential development in Mainland China declined from 20.8% of the same period last year to 13.7%. The floor area of new construction started of commodity residential properties in Mainland China in the first half of the year decreased by 19.8% year-on-year, which was the lowest in the last five years. Decline in new construction started and investment in residential development will lead to decrease in new housing supply in the next one to two years, which reconciled the need for the market to absorb inventories.

During the first and second quarters, in the 16 major cities where continued study could be made through publicly available data (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Wuhan, Chengdu and Chongqing), the area of land supply for residential properties (including residential-cum-commercial properties) dropped by 1.5% and 16.2% year-on-year respectively, while sales area decreased by 5.9% and increased by 26.9% year-on-year respectively. The reserve price for land transfer remained high, leading to a higher number of aborted auctions. The percentage of aborted auctions in the above-mentioned 16 cities rose from 11% in the first quarter to 21% in the second quarter. Approximately 24% of land lots changed hands with a price premium in the second quarter, falling sharply from 41% in the first quarter. These two indicators were close to the level of the same period of 2012. The price premium ratio (the average floor area of actual land sales/average starting price of land sales) in the second quarter fell to 1.12 from 1.21 in the first quarter. According to experience, the amount of land supply will normally increase further in the second half of the year. It is expected that there would be continued adjustment to the land market.

With changes in supply-demand relationship of the housing market, as well as the end of the rising trend for housing prices, the regulation measures targeted at the industry also switched from unilateral control to rein in the overheated market to responding to market conditions. In March 2014, the government work report proposed regulation measures that targeted on specific areas, with policy orientation geared towards marketization and specific focus. In May 2014, the central bank's emphasis on reasonable allocation of credit facilities to give priority to mortgage demand of families who purchase ordinary commodity residential properties for self-use for the first time indicated that reasonable demand from end-users for self-use properties continued to gain recognition and protection. These measures helped stabilize market expectation, facilitating the industry's return to stable development and achieve "soft landing".

Review on the operation and management in the first half of the year

During the Reporting Period, against the backdrop of a year-on-year decline in the market's overall sales volume, the Group achieved satisfactory sales results by insisting on a mainstream product positioning and carrying out proactive sales promotion strategy. Half-year sales amount exceeds RMB100 billion for the first time, further strengthening the Group's market position. From January to June, the Group realized a sales area of 8.21 million sq m and a sales amount of RMB100.91 billion, representing year-on-year increases of 14.6% and 20.6% respectively. Among all commodity residential properties sold by the Group in the first half of the year, 92% of the units were below 144 sq m.

By geographical segment, the Group realized a sales area of 1,951,000 sq m and a sales amount of RMB26.36 billion in the Guangshen Region focusing on the Pearl River Delta; a sales area of 2,230,000 sq m and a sales amount of RMB32.37 billion in the Shanghai Region focusing on the Yangtze River Delta; a sales area of 2,230,000 sq m and a sales amount of RMB26.46 billion in the Beijing Region focusing on the Bohai-Rim Region; a sales area of 1,802,000 sq m and a sales amount of RMB15.72 billion in Chengdu Region, which comprises core cities in central and western China. Cities in which sales were realised in the first half of the year included Shenzhen, Guangzhou,Dongguan, Foshan, Zhuhai, Zhongshan, Huizhou, Qingyuan, Xiamen, Zhangzhou, Quanzhou, Changsha, Fuzhou, Putian, Sanya in the Guangshen Region, Shanghai, Hangzhou, Suzhou, Wuxi, Kunshan, Jiaxing, Fuyang, Nanjing, Zhenjiang, Nanchang, Ningbo, Hefei, Yangzhou, Wenzhou, Wuhu, Xuzhou, Nantong in the Shanghai Region, Beijing, Tianjin, Shenyang, Fushun, Anshan, Yingkou, Dalian, Changchun, Jilin, Qingdao, Jinan, Yantai, Taiyuan, Jinzhong, Tangshan, Qinhuangdao in the Beijing Region, and Chengdu, Wuhan, Xi'an, Zhengzhou, Chongqing, Kunming, Guiyang, Urumqi in the Chengdu Region.

In the first half of the year, the Group started a floor area of new construction of 9,617,000 sq m, accounting for 43.0% of the planned floor area of new construction for the whole year. The Group realized a completed floor area of 3,983,000 sq m, accounting for 26.9% of the planned floor area to be completed for the full year and representing a decrease of 6.6 percentage points from 33.5% of the same period last year. Concentration of housing completions in the second half of the year is a seasonal pattern in the industry. Floor area completed in the first half of the year as a percentage of that of the full year is determined by occasional factors rather than the Group's deliberate actions. It is expected that the floor area to be completed for the full year will meet the target set at the beginning of the year. Since a majority of the projects will be booked in the second half of the year, the Group realized a booked area of 3,632,000 sq m and a booked revenue of RMB37.55 billion from January to June 2014, representing year-on-year decreases of 6.5% and 1.8% respectively. Affected by the aforementioned, the Group's revenue for the first half of the year amounted to RMB38.51 billion, representing a slight year-on-year decrease of 1.1%, while its net profit attributable to equity shareholders of the Company rose by 5.6% year-on-year to RMB4.81 billion. The Group adhered to the principle of "enhancing efficiency while improving overall results" to improve operating quality. In the first half of this year, the Group's fully diluted return on equity is 6.25%.

As at the end of the Reporting Period, the Group had a total area of 17,474,000 sq m sold but not yet booked stated in the consolidated statements, as construction had yet to be completed. These unbooked resources had a contract amount of approximately RMB202.76 billion. The area and contract amount were 21.6% and 24.9% higher than those at the end of last year respectively, providing a solid foundation for realizing the Group's future performance.

During the Reporting Period, the Group persevered with a prudent land acquisition strategy. In line with its stringent investment risk control, the Group appropriately replenished quality project resources in accordance with its actual development needs. In the first half of the year, the Group acquired 19 development projects, with a site area attributable to Vanke's equity holding of approximately 924,000 sq m, representing a corresponding planned GFA of approximately 2,641,000 sq m. Average land premium of floor area was approximately RMB3,665 per sq m, which remained at a reasonable level. The Group actively explored a light asset-based operational model of "participating in project management with minority shareholding". The shareholding percentage of four of the newly acquired projects in the first half of the year was lower than 50%, while that of six of the projects was 50% or 51%. The promotion of the model of "participating in project management with minority shareholding" helped reduce reliance on equity financing to sustain growth and strengthen the Group's ability to generate returns for shareholders.

As at the end of the Reporting Period, the GFA of the Group's projects under planning attributable to Vanke's equity holding amounted to approximately 39,863,000 sq m, which was sufficient to meet the Group's development needs within the next two to three years. In addition, the Group was also involved in some city-redevelopment projects. According to the current planning, the aggregate GFA of these projects attributable to Vanke's equity holding at the end of the Reporting Period was approximately 2,952,000 sq m.

The Group continued to maintain a reasonable inventory structure. As at the end of the Reporting Period, the Group's inventories included RMB19.23 billion of completed properties (properties ready for sale), accounting for 5.6%, keeping stable with that at the end of 2013.

The Group continued to maintain a sound financial position. As at the end of the Reporting Period, the Group's other liabilities (excluding receipts in advance that did not constitute any actual repayment obligation) accounted for 42.8% of total assets, representing a decrease of 2.8 percentage points from that at the end of 2013. The Group's net gearing ratio((interest-bearing liabilities less cash and cash equivalents, divided by net assets) was 36.4% and continued to stay at a relatively low level in the industry.

Benefiting from proactive sales promotion and prudent investment approach, the Group continued to maintain a solid cash position. As at the end of the Reporting Period, the Group's cash and cash equivalents(including pledged deposits) improved from that at the end of the first quarter to RMB42.86 billion and was higher than RMB22.28 billion, being the total amount of bank loans and borrowings from financial institutions due within one year.

During the Reporting Period, the Group started to introduce the business partnership scheme, in order to further promote the sense of ownership, work enthusiasm and creativity among the operations and management teams, and to strengthen the ties between the operations and management teams and shareholders through linking up their common interests. At the project level, the Group has established a co-investment system applicable to all new projects except for redevelopment projects and certain special projects. Pursuant to the co-investment system, frontline management under the project, and managers of the said project shall, in principle, co-invest with the Group; employees other than the Company's directors, supervisors and senior management can choose whether or not to co-invest in the project. At the level of the company, the Group has established a business partner stock holding plan. The first group of business partners have already entrusted all of their entitlements in the collective bonus accounts for economic profit bonus to the general partners of Shenzhen Ying'an Financial Consultancy Enterprise (limited partnership) ("**Ying'an Partnership**") for investment and management. Since 28 May 2014, Ying'an Partnership has increased its holding of Vanke's A shares through Securities Company's Asset Management Program for several times. As at 30 June 2014, The Securities Company's Asset Management Program product Ying'an Partnership purchased held 2.06% of Vanke's total shares.

On 25 June 2014, the Company's H shares were successfully listed on the main board of The Stock Exchange of Hong Kong Limited, with a stock code of "2202" and stock short name of "China Vanke". The Group's proposal on the change of listing location of domestically listed foreign shares for listing and trading on The Stock Exchange of Hong Kong Limited by way of introduction achieved successfully. The successful implementation of the proposal on the change of listing location serves to improve the transaction environment for the original B shareholders, while further enhancing the Group's visibility in the international capital market, thereby offering more favourable conditions for the Group's effective leverage of overseas resources.

During the Reporting Period, the Group continued to implement its internationalization strategy. In the first half of the year, the Group participated in the development of a project located at 610 Lexington Avenue, Manhattan, New York in US, via cooperation with well-known local developers. Following the Tsuen Wan West Station project, the Group secured a Wan Chai project in Hong Kong through acquisition. Participating in overseas business is conducive to learning from the experience of excellent overseas industry peers, and enhancing the Group's understanding of overseas mature market and business practice, so as to improve the competitiveness of its products and services.

During the Reporting Period, Vanke Property ranked the first among "China's Top 100 Property Management Enterprises in 2014" jointly announced by China Index Academy and China Real Estate TOP 10 Research for the fifth consecutive year, signifying that the Group's excellent property management services had again won high recognition from the industry.

The Group proactively fulfilled its corporate social responsibility. During the Reporting Period, Vanke Charity Fund joined hands with Ai You Foundation to establish “Ai You •Vanke Wuhan Children’s Care Centre” in Wuhan City Children Welfare House, providing professional medical and health care services to orphans who are sick. Vanke Charity Fund also worked with Mount Everest National Nature Reserve Management Bureau to jointly set up “Mount Everest’s Snow Leopard Conservation Centre”. The centre will strive to build a resources integration platform for conversation of snow leopards on Mount Everest, to attract scientists and researchers to conduct on-site study on snow leopard conservation.

Future development prospects

In a long-term perspective, China’s urbanisation still has a long way to go, and transformation of the economy and sophistication in real estate development are only in their initial stages. Huge demand for home purchase driven by the aforesaid will continue to fuel expansion of this industry. Along with the transition from the industry’s golden age to silver age, the market will face greater short-term volatility, and competition between enterprises will intensify in future. Such development will demand more comprehensive ability in operation and management.

In the short run, some cities with high inventory levels and longer duration to absorb housing inventory will continue to clear inventory in the future. The Group will insist on proactive sales promotion strategy. For new projects, the Group will maintain a target sales rate of 60% for projects in their month of launch. The Group will also push ahead with inventory clearance to maintain a reasonable inventory structure.

The Group is coping with the industry prospects with “cautious optimism and active responsiveness”. In future, the Group will position itself as urban ancillary service provider and identify related business development opportunities complementing urban development. The Group will thoroughly explore market needs, including expanding study on new businesses such as retirement communities, resort, logistics properties, etc. The Group will also actively adopt a perspective of the cyberworld. With price-performance in mind, the Group will continue to impress its customers with outstanding services and products in terms of product functionality, ancillary services and community environment.

Since the current land price remains at a relatively high level, with adjustment already seen in the land market, the Group will maintain its prudent investment approach and focus its investment on land used for building home for end-users. The Group will flexibly grasp market opportunities and reasonably replenish its land bank. Given the relatively large variation in market characteristics of different regions, the Group will use the PIE model to conduct a comprehensive assessment of population, infrastructure construction and employment for its new projects. Such initiatives will enable the Group to cautiously select the regions for investment and make quality investment.

Amid market adjustment, financial security and financial stability become extraordinarily important. The Group will continue to adhere to its “cash is king” strategy, strengthen cash flow-focused operation management, and increase cash turnover efficiency, thereby providing solid support to the Group to grasp market opportunities and to develop new business, while ensuring operation security.

Competition for talents becomes increasingly intense as industry competition intensifies. In order to create a mechanism that fit for its future development, the Group will build on its existing system a “trial and error” committee mechanism. The Group will continue to carry out extensive study on business partnership scheme, and fine-tune the interest-sharing mechanism between investors and employees, to attract and retain more high calibre people and to create a better platform for business expansion.

Management Analysis

Overall performance

In the first half of 2014, the Group’s revenue was RMB38.51 billion, representing a 1.1% decrease from RMB38.94 billion of the same period last year. The profit attributable to equity shareholders was RMB4.81 billion, representing a 5.6% increase from RMB4.56 billion of the same period last year. During the Reporting Period, the Group’s basic earnings per share were RMB0.44, representing a 6.6% increase from RMB0.41 of the same period last year. The Group will not pay dividend or transfer capital surplus reserve to share capital for the first half of 2014.

Revenue and profit by business segment

The Group specializes in property development. Its revenue is mainly derived from development and sales of properties. In the first half of 2014, the booked revenue of property business accounted for 97.5% of the total revenue.

Unit: RMB’000

Segment	Revenue		Cost of sales		Profit margin	
	Amount	Change	Amount	Change	Value	Change
1. Core business	38,343,148	-1.12%	28,229,221	2.91%	23.02%	Down by 1.96 percentage points
Including: Property development	37,552,925	-1.75%	27,552,525	2.23%	23.20%	Down by 1.95 percentage points
Property management	790,223	42.56%	676,696	40.97%	14.37%	Up by 0.97percentage points
2. Other businesses	166,735	1.76%	78,124	12.26%	53.14%	Down by 4.39 percentage points
Total	**38,509,883**	**-1.11%**	**28,307,345**	**2.93%**	**23.15%**	**Down by 1.96** percentage points

Note: LATs had been deducted from the profit margin

In the first half of the year, the average booked price of the Group’s property development business was RMB10,338 per sq m, representing a 5.0% increase from that of the corresponding period of 2013.

Gross profit margin of the Group’s property development business in the first half of the year was 23.20%, representing a decrease of 1.95 percentage points from the same period of 2013. Booked net profit margin was 14.98%, which was same as that of the same period of 2013.

During the Reporting Period, the Group’s gross profit margin decreased and booked net profit margin remained stable mainly due to a surge in the Group’s share of profit from its associates and joint ventures to RMB770 million, representing a significant increase of RMB380 million from that of the corresponding period in 2013. Furthermore, the Group’s other net income reached RMB860 million, up by RMB830 million from last year’s same period. The Group’s other net income was mainly derived from RMB740 million income from the Group’s cooperative projects through equity transfer. With further promotion of the Group’s “light asset, operation-focused” model, it is expected that in future, it will become a normal operation trend for investment gain to remain at a relatively high level. Such “investment gain” is considered as recurring items instead of an one-off item. With light asset operational model, the Group, under normal conditions, remains in charge of the management and operation of development projects or commercial properties, even though the Group has disposed certain equity interests in these projects or properties or that the Group has only a minority interest in certain associate or joint-venture projects. As such, the Group is able to charge a certain amount of management fee, or request a share of profit higher than its shareholding entitlement. Such arrangement enables the Group to increase its return on investment.

Revenue and profit by region:

	Booked area (sq m)	**Percentage**	**Revenue from core business (RMB’000)**	**Percentage**	**Net profit (RMB’000)**	**Percentage**
Guangshen Region	1,157,792	31.87%	13,460,993	35.85%	2,843,777	50.54%
Shanghai Region	834,060	22.96%	9,944,075	26.48%	1,548,589	27.52%
Beijing Region	783,734	21.58%	7,222,143	19.23%	540,442	9.61%
Chengdu	856,891	23.59%	6,925,714	18.44%	693,499	12.33%
Total	**3,632,477**	**100.00%**	**37,552,925**	**100.00%**	**5,626,307**	**100.00%**

Note. During the Reporting Period, the cities in which the Group had booked projects included Shenzhen, Guangzhou,Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Sanya, Huizhou, Qingyuan, Putian,in the Guangshen Region, Shangshai, Hangzhou, Suzhou, Wuxi, Yangzhou, Hefei, Nanjing, Zhenjiang, Ningbo, Nanchang, Wuhu, Nantong, Fuyang, Jiaxing in the Shanghai Region, Beijing, Tangshan,Tianjin, Shenyang, Anshan, Fushun, Dalian, Changchun, Jilin, Qingdao, Yantai, Taiyuan, Jinzhong, Qinghuangdao in the Beijing Region, and Chengdu, Chongqing, Wuhan, Xi’an, Guiyang, Kunming, Urumqi in the Chengdu Region.

Distribution costs and administrative expenses

During the Reporting Period, the Group continued to focus on cost-efficiency ratio, and tightened its expense control. The Group’s distribution costs as a percentage of sales amount was 1.53%, representing a decline of 0.18 percentage point from that of the same period last year. Administrative expenses as a percentage of sales amount was 1.45%, representing a 0.02 percentage point decrease from that of the same period last year.

Newly added projects

During the Reporting Period, the Group acquired 19 new projects, with a site area attributable to Vanke's equity holding of approximately 920,000 sq m (representing a corresponding planned GFA of approximately 2,640,000 sq m). The total land premium of the projects attributable to Vanke's equity holding amounted to approximately RMB9.68 billion Details of the projects are as follows:

Project name	Location	% of shareholding	Site area (sq m)	Planned GFA (sq m)	GFA attributable to Vanke's equity holding (sq m)	Progress
Sanguan Project, Shenzhen (深圳三館項目)	Longgang District	100%	66,600	250,600	250,600	Pre-construction
Jinyu Jiuyue Garden, Shenzhen (深圳金域九悅花園)	Longhua New District	100%	61,000	146,000	146,000	Pre-construction
Knowledge City Project, Guangzhou(廣州知識城項目)	Sino-Singapore Knowledge City	20.4%	259,300	571,790	116,645	Pre-construction
Huangpu Bus Station Project, Guangzhou (廣州黃埔客運站項目)	Huangpu District	70%	26,700	96,700	67,690	Pre-construction
A Glamorous City , Nanning (南寧魅力之城)	Liangqing District	100%	104,174	333,374	333,374	Pre-construction
Shentong Metro Project, Fengxian District, Shanghai (上海奉賢申通地鐵項目)	Fengxian District	20%	43,900	87,800	17,560	Pre-construction
Zhaoxiang Project, Qingpu District, Shanghai (上海青浦趙巷項目)	Qingpu District	10%	96,000	98,000	9,800	Pre-construction
Dream Town, Lishui, Nanjing（南京溧水萬科城）	Lishui District	100%	218,800	501,600	501,600	Pre-construction
Times Square Project, Nanchang (南昌時代廣場項目)	Honggutan New District	30%	83,800	293,400	88,020	Pre-construction
C2 Huangcun Project, Beijing (北京黃村 C2 項目)	Daxing District	50%	46,924	94,797	47,399	Pre-construction
Zone 28 Project, Shunyi New Town, Beijing(北京順義新城第 28 街區項目)	Shunyi District	50%	22,913	41,243	20,622	Pre-construction
Qiliqu Project, Beijing (北京七裡渠項目)	Changping District	50%	68,944	202,777	101,389	Pre-construction
Huanqingcheng, Langfang（廊坊歡慶城）	Xianghe County	50%	38,200	76,400	38,200	Pre-construction
Tiexi Blue Mountain Shenyang (瀋陽鐵西藍山)	Tiexi District	100%	51,832	155,497	155,497	Pre-construction
Xianzai City, Dalian (大連現在城)	Ganjingzi District	100%	39,224	71,254	71,254	Pre-construction
Gaoxin Metropolis , Xi'an (西安高新華府)	Yanta District	80%	114,745	476,559	381,247	Pre-construction
Happiness Garden, Xi'an (西安幸福里)	Weiyang District	100%	65,628	229,698	229,698	Pre-construction
Phase II of A Glamorous City, Zhengzhou (鄭州魅力之城二期)	Airport Area	51%	37,820	113,460	57,865	Pre-construction
Phase III of A Glamorous City, Zhengzhou (鄭州魅力之城三期)	Airport Area	51%	4,094	12,000	6,120	Pre-construction
Total			**1,450,598**	**3,852,949**	**2,640,580**	

As at the end of the Reporting Period, the total GFA of projects under planning attributable to Vanke's equity holding amounted to 39.863 million sq m, which was sufficient to meet the Group's development needs within the next two to three years.

From the end of the Reporting Period to the date of this announcement, the Group newly acquired 2 projects, with a site area attributable to Vanke's equity holding of approximately 32,000 sq m (representing a corresponding planned GFA of approximately 84,000 sq m). Details are as follows:

Project	Location	% of shareholding	Site area (sq m)	Planned GFA (sq m)	GFA attributable to Vanke's equity holding (sq m)	Progress
No 5 Hongdu Lot, Nanchang	Qingyunpu District	25%	27,879	94,789	23,545	Pre-construction
Southern City Road East Lot, Jiaxing	Economic Development District	100%	25,100	60,200	60,200	Pre-construction
Total			**52,979**	**154,989**	**83,745**	

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

Cash and interest-bearing liabilities

As at the end of the Reporting Period, the Group's cash and cash equivalents(including pledged deposits) amounted to RMB42.86 billion, of which 92.59% were denominated in RMB and 7.41% were denominated in US dollars and Hong Kong dollars.

As at the end of the Reporting Period, the Group's total interest-bearing liabilities amounted to RMB81.39 billion, of which 86.10% were denominated in RMB and 13.90% were denominated in foreign currencies. The liabilities with fixed interest rate accounted for 95.03% of total interest bearing liabilities, while the amount with floating interest rate accounted for 4.97%. During the Reporting Period, the Group's gross interest expenses amounted to RMB3.36 billion, with the amount of RMB2.55 billion being capitalised.

As at the end of the Reporting Period, all the borrowings with asset pledged amounted to RMB1.64 billion, which is only 2.01% of the total interest-bearing liabilities.

As at the end of the Reporting Period, among the interest-bearing liabilities, the total amount of borrowings and interest-bearing liabilities due within one year was RMB22.28 billion, which was far below the Group's total cash and cash equivalents balance as at the end of the Reporting Period. Interest-bearing liabilities due over one year amounted to RMB59.11 billion, accounting for 72.62% of total interest-bearing liabilities.

Of the interest-bearing liabilities, bank borrowings accounted for 45.03%, bonds payable accounted for 12.16% and other borrowings accounted for 42.81%.

In the second half of 2013, the Group established a US$2 billion Medium Term Notes("**MTN**") Programme. During the Reporting Period, the Group conducted its fourth bond issuance in accordance with the MTN Programme, issuing US$400 million five-year fixed rate bonds with an annual coupon rate of 4.5%.

The Group's sound business management, prudent financial management and strong credibility built in the capital market continued to gain recognition from authoritative international rating agencies. During the Reporting Period, Standard & Poor's, Moody's and Fitch's Ratings continued to maintain BBB+, Baa2 and BBB+ ratings for the Group's long-term credit rating and a stable rating for its outlook.

Contingent liabilities

In accordance with industry practice, the Group will provide provisional guarantee for mortgage loans taken by purchasers of the Group's properties. The term of the provisional guarantee commenced on the day the guarantee agreement becoming effective up to the day on which the ownership certificates of the properties purchased by the customers being obtained and the mortgage being registered in favor of the mortgage banks. As at the end of the Reporting Period, the aggregate guarantees provided by the Group for mortgage loans taken by its customers amounted to approximately RMB46.19 billion. The Group has not suffered any material loss due to the aforesaid guarantees. The Group is of the view that it does not need to make provisions for such guarantees in the financial statements..

Risk of fluctuations in exchange rates

The Group conducts a majority of its business operations in the PRC. As such, a large portion of revenue and expenses are denominated in Renminbi. Fluctuations in the exchange rates of Renminbi would have limited impact on the Group's operations. During the first half of 2014, fluctuations in the exchange rates of Renminbi to Hong Kong dollars and to US dollars generated an exchange gain of approximately RMB21 million for the Group.

In order to limit the risk associated with the fluctuations of exchange rate of foreign currency loan, the Group entered into non-deliverable forward ("**NDF**") contract to hedge a foreign currency loan of US$200 million. The change in the NDF value will not have any impact on the Group's profit and loss. During the Reporting Period, the change in the NDF value contributed RMB3.25 million loss to the Group's equity. In respect of the term and amount of the foreign currency loan, NDF limits the risk of fluctuations of exchange rate through fixed forward exchange rate.

III Other Matters

Corporate governance

As one of the first companies listed in the PRC, the Company has always adhered to "simple, transparent, standardised and responsible" corporate values. It continues to explore ways to raise its corporate governance standard. With a foundation built on sound corporate governance, the Company has established long-standing trust and win-win relationships with its investors. The Company did not deviate from the relevant corporate governance requirements of China Securities Regulatory Commission ("**CSRC**"). The Company had also strictly complied with the provisions in the Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

During the Reporting Period, the Company's general meetings, the Board, specialised committees under the Board and supervisory committee diligently performed their duties, thereby ensuring that the Company's operations had complied with the relevant requirements and sustained healthy development.

The Company has stringent control and preventative measures against the misuse of inside information. During the Reporting Period, directors, supervisors, senior management and employees complied with the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the Company's Code for Dealing in the Company's Securities by Staff when dealing in securities. During the Reporting Period, no insider who had access to inside information had violated the rules by engaging in insider trading.

During the Reporting Period, the Company continued to persist in maintaining complete independence from its single largest shareholder, China Resources Co., Limited ("**CRC**"), and its connected companies in respect of business operation, staff, assets, organisation and finance, possessing a completely separate business and operational autonomy. The Company had not taken any actions that violated the code on corporate governance practices such as reporting to CRC on any undisclosed information.

As a key pilot company to implement the Basic Internal Control Norms for Enterprises and its implementation guidelines, during the Reporting Period the Company continued to adopt a pragmatic internal control approach to establish the internal control system in a systematic manner.

Staff and remuneration policies

As at 30 June 2014, there were 36,101 employees on the Group's payroll. The average age of the employees was 31, and the average year of service was 3 years. Among the entire workforce, there were 6,849 employees engaged in the property development division. The average age of the staff working for this division was 32.1 and the average year of service was 3.9 years. In terms of education level, 0.3% held doctoral degree, 17.2% with master's degree, 70.1% with bachelor's degree, 10.9% with college education and 1.5% with education below college education level. There were 27,967 employees engaged in property management. The average age was 29.1 and the average year of service was 2.2 years. In terms of education level, 0.34% held master's degree, 9.66% with bachelor's degree, 20.1% with college education and 69.9% with education below college education level. There were 507 employees engaged in the commercial services division. The average age was 31.2 and the average year of service was 1.6 years. In terms of education level, 9% held master's degree, 50% with bachelor's degree, 23% with college education and 18%

with education below college education level. There were 627 employees engaged in the hotel services division. The average age was 32.3 and the average year of service was 1 year. In terms of education level, 1.59% held master's degree, 13.72% with bachelor's degree, 18.18% with college education and 66.51% with education below college education level. There were 151 employees working for other divisions, with an average age of 33.6 and an average year of service of 5 years. In terms of education level, 11.26% held master's degree, 45.7% with bachelor's degree, 26.49% with college education and 16.56% with education below college education level.

The Group's overall remuneration system is adhered to the principle of market orientation, offering competitive salary to retain and attract high caliber persons. The salaries of the Group's senior management are determined with reference to market level as well as the Group's overall operating results. During the Reporting Period, the aggregate staff wages and benefits of the Group accrued amounted to RMB1.86 billion.

Talents are Vanke's assets. The Group has been committed to providing sufficient development opportunities and creating a pleasant work environment for high caliber persons.

Purchase, disposal and redemption of the Company's listed securities

There was no purchase, disposal or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2014.

IV Audit Committee Review interim result

The unaudited interim results of the Group for the six months ended 30 June 2014 has been reviewed by Audit Committee of the Board.

Note: Unless otherwise specified, the currency used in the announcement refers to RMB.

By order of the Board
China Vanke Co., Ltd. *
Wang Shi
Chairman

Shenzhen, the PRC, 15 August 2014

As at the date of this announcement, the Board comprises

Executive Directors:
Mr. Wang Shi
Mr. Yu Liang
Mr. Wang Wenjin

Non-executive Directors:
Mr. Qiao Shibo
Mr. Sun Jianyi
Mr. Wei Bin
Mr. Chen Ying

Independent non-executive Directors:
Mr. Zhang Liping
Mr. Hua Sheng
Ms. Law Elizabeth
Mr. Hai Wen

**for identification purpose only*