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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 2016

I INTERIM RESULTS

The board of directors (the "**Board**") of China Vanke Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") prepared in accordance with International Financial Reporting Standards (**IFRSs**) for the six months ended 30 June 2016 (the "**Period**" or the "**Reporting Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	**70,748,835**	47,626,142
Cost of sales		**(55,115,766)**	(34,999,141)
Gross profit		**15,633,069**	12,627,001
Other revenue	4	**739,561**	671,040
Other net income	5	**48,545**	141,350
Distribution costs		**(2,045,221)**	(1,548,692)
Administrative expenses		**(2,203,065)**	(1,443,052)
Other operating expenses		**(218,249)**	(64,105)
Profit from operations		**11,954,640**	10,383,542
Finance costs		**(1,006,802)**	(784,824)
Share of profits less losses of associates	6	**526,981**	447,228
Share of profits less losses of joint ventures		**745,350**	463,816

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit before taxation	*7*	**12,220,169**	10,509,762
Income tax	*8*	**(5,125,538)**	(3,720,279)
Profit for the period		**7,094,631**	6,789,483
Attributable to:			
Equity shareholders of the Company		**5,351,310**	4,846,279
Non-controlling interests		**1,743,321**	1,943,204
Profit for the period		**7,094,631**	6,789,483
Basic and diluted earnings per share (RMB)	*9*	**0.48**	0.44
Profit for the period		**7,094,631**	6,789,483
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		**(40,505)**	3,251
Cash flow hedge: net movement in the hedging reserve		**(54,904)**	(58,099)
Available-for-sale securities: net movement in the fair value reserve		**(66,666)**	–
Other comprehensive income for the period		**(162,075)**	(54,848)
Total comprehensive income for the period		**6,932,556**	6,734,635
Attributable to:			
Equity shareholders of the Company		**5,173,753**	4,782,649
Non-controlling interests		**1,758,803**	1,951,986
Total comprehensive income for the period		**6,932,556**	6,734,635

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**7,051,807**	6,373,913
Investment properties		**9,711,135**	7,609,532
Intangible assets		**806,448**	836,490
Interest in associates		**10,293,820**	9,427,598
Interest in joint ventures		**32,540,394**	24,075,826
Other financial assets		**1,153,368**	1,138,813
Other non-current assets		**9,669,569**	9,642,481
Deferred tax assets		**6,183,400**	5,166,541
		77,409,941	64,271,194
Current assets			
Inventories	*11*	**426,794,986**	367,507,209
Trade and other receivables	*12*	**130,191,814**	118,576,603
Other current assets		**6,240,100**	7,956,600
Pledged and restricted deposits		**960,778**	1,432,760
Cash and cash equivalents		**70,907,211**	51,747,621
		635,094,889	547,220,793
Current liabilities			
Bank loans and borrowings from financial institutions		**28,293,252**	25,648,370
Bonds payable		**999,081**	998,122
Trade and other payables	*13*	**469,770,923**	380,825,800
Current taxation		**10,804,211**	12,589,535
		509,867,467	420,061,827
Net current assets		**125,227,422**	127,158,966
Total assets less current liabilities		**202,637,363**	191,430,160

	Note	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current liabilities			
Bank loans and borrowings from financial institutions		**36,787,186**	33,828,585
Bonds payable		**25,382,948**	19,015,812
Deferred tax liabilities		**747,241**	754,849
Provisions		**109,626**	143,221
Other non-current liabilities		**1,436,314**	1,378,076
		64,463,315	55,120,543
NET ASSETS		**138,174,048**	136,309,617
CAPITAL AND RESERVES			
Share capital	*14*	**11,039,152**	11,051,612
Treasury shares		**–**	(160,163)
Reserves		**86,421,575**	89,292,069
Total equity attributable to equity shareholders of the Company		**97,460,727**	100,183,518
Non-controlling interests		**40,713,321**	36,126,099
TOTAL EQUITY		**138,174,048**	136,309,617

NOTES:

1 BASIS OF PREPARATION

China Vanke Co., Ltd is a company incorporated and domiciled in the People's Republic of China (the "**PRC**"). These interim financial report ('**interim financial report**') as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries 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 report has 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 ("**Listing Rules**"), including compliance with IAS 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue by the Company's Board of Director on 19 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, 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 announcement contains condensed consolidated statement of profit and loss and consolidated statement of financial position 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 2015 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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 property development, 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	
	2016	2015
	RMB'000	*RMB'000*
Property development	**68,205,423**	45,628,512
Construction contracts	**357,531**	246,450
Property management and related services	**1,669,509**	1,049,418
Others	**516,372**	701,762
Consolidated revenue	**70,748,835**	47,626,142

The Group's customer base is diversified and does not have any customer with whom transaction amount have 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/Central and Western region): given the importance of the property development division to the Group, the Group's property development business is segregated 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 region are set out in below.

- Property Services: 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.

(i) 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 tax assets, unallocated head office and corporate assets.

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.

	Property development *(note(1))*					
	Beijing region *RMB'000*	**Guangshen region** *RMB'000*	**Shanghai region** *RMB'000*	**Central and Western region** *RMB'000*	**Property services** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2016						
Revenue from external customers, Before sales taxes	**17,822,730**	**18,669,336**	**24,539,602**	**11,848,898**	**1,738,972**	**74,619,538**
Inter-segment revenue	**–**	**–**	**–**	**–**	**566,359**	**566,359**
Reportable segment revenue	**17,822,730**	**18,669,336**	**24,539,602**	**11,848,898**	**2,305,331**	**75,185,897**
Reportable segment profit	**1,815,111**	**2,763,299**	**3,663,806**	**861,335**	**328,570**	**9,432,121**
Reportable segment assets as at 30 June 2016	**139,516,937**	**195,126,477**	**197,529,668**	**107,734,936**	**16,934,711**	**656,842,729**

	Property development *(note(1))*					
	Beijing region *RMB'000*	Guangshen region *RMB'000*	Shanghai region *RMB'000*	Central and Western region *RMB'000*	Property services *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2015						
Revenue from external customers, Before sales taxes	14,076,099	12,256,419	13,783,525	8,467,557	1,213,827	49,797,427
Inter-segment revenue	–	–	–	–	278,099	278,099
Reportable segment revenue	14,076,099	12,256,419	13,783,525	8,467,557	1,491,926	50,075,526
Reportable segment profit*	1,512,737	1,860,107	2,439,293	1,071,864	70,673	6,954,674
Reportable segment assets as at 31 December 2015	123,169,768	181,822,097	163,329,896	91,624,977	4,764,275	564,711,013

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.

Central and Western region represents Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang, Urumqi and Zhengzhou.

* LAT had been deducted from reportable segment profit.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**75,185,897**	50,075,526
Elimination of inter-segment revenue	**(566,359)**	(278,099)
Unallocated revenue	**175,757**	469,371
Sales taxes	**(4,046,460)**	(2,640,656)
Consolidated revenue	**70,748,835**	47,626,142
Profit		
Reportable segment profit	**9,432,121**	6,954,674
Elimination of inter-segment profit	**(95,186)**	899,144
Share of profits less losses of associates and joint ventures	**1,272,331**	911,044
Dividend income	**–**	3,639
Other net income, excluding net exchange difference	**181,829**	98,826
Other operating expenses, excluding provision for doubtful debts	**(36,022)**	(39,746)
Unallocated expenses	**(774,729)**	(50,575)
LAT	**2,239,825**	1,732,756
Consolidated profit before taxation	**12,220,169**	10,509,762

	At 30 June	At 31 December
	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**656,842,729**	564,711,013
Elimination of inter-segment receivables	**(209,353,260)**	(197,014,843)
Unallocated assets	**265,015,361**	243,795,817
Consolidated total assets	**712,504,830**	611,491,987

4. OTHER REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest income	**739,561**	667,402
Dividend income from unlisted investments	**–**	3,638
	739,561	671,040

5. OTHER NET INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Forfeited deposits and compensations from customers	**62,009**	48,736
Net (loss)/gain on disposals of subsidiaries	**(28,381)**	1,008
Net (loss)/gain on disposals of property, plant and equipment	**(2,363)**	403
Net exchange (loss)/gain	**(133,285)**	42,521
Gain on bargain purchase of subsidiaries	**98,452**	–
Other sundry income	**52,113**	48,682
	48,545	141,350

6. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates in the reporting period amounted to RMB526,981 thousand (six months ended 30 June 2015: RMB447,228 thousand).

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**2,645,167**	2,576,524
Less: Interest expense capitalised into inventories, investment properties and construction in progress	**(1,638,365)**	(1,791,700)
	1,006,802	784,824

(b) Staff cost

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**2,713,105**	1,799,926
Contributions to defined contribution retirement plan	**209,933**	150,821
	2,923,038	1,950,747

(c) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Depreciation and amortisation	**419,024**	402,096
Impairment loss on trade and other receivables	**182,229**	24,358
Cost of inventories	**53,492,213**	33,643,827
Operating lease charges	**59,054**	20,128
Project management fee charged to associates and joint ventures	**(188,068)**	(123,753)

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
Provision for Corporate Income Tax ("**CIT**") and Hong Kong Profits Tax(i)	**3,741,589**	2,472,916
Provision for Land Appreciation Tax("**LAT**") (ii)	**2,238,103**	1,771,079
Withholding tax(iii)	**29,430**	7,251
	6,009,122	4,251,246
Deferred tax		
Origination and reversal of temporary differences	**(883,584)**	(530,967)
	5,125,538	3,720,279

(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% (2015: 25%), except for certain subsidiaries which enjoy a preferential income tax rate.

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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 RMB5,351,310,000 (six months ended 30 June 2015: RMB4,846,279,000) and the weighted average of 11,043,302,000 (six months ended 30 June 2015: 11,042,783,000) shares in issue during the interim period.

Weighted average number of shares:

	At 30 June 2016 ***Share'000***	At 30 June 2015 *Share'000*
Issued shares at 1 January	**11,051,612**	11,037,507
Effect of share options exercised	**10**	5,276
Effect of cancellation of treasury shares	**(8,320)**	–
Weighted average number of shares at 30 June 2016	**11,043,302**	11,042,783

(b) Diluted earnings per share

There is no dilution matters in the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group's property, plant and equipment increased RMB677,894 thousand (six months ended 30 June 2015: RMB436,477 thousand). Items of property, plant and equipment with a net book value of RMB201,556 thousand were disposed during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB84,180 thousand), resulting in a loss on disposal of RMB2,363 thousand (six months ended 30 June 2015 gain: RMB403 thousand).

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

11. INVENTORIES

	At 30 June 2016 ***RMB'000***	At 31 December 2015 *RMB'000*
Properties held for development	**108,096,999**	103,529,310
Properties under development	**277,894,618**	228,606,335
Completed properties for sale	**39,820,463**	34,825,787
Others	**982,906**	545,777
	426,794,986	367,507,209

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade debtors	**2,309,722**	2,563,204
Less: allowance for doubtful debts	**(47,333)**	(52,551)
	2,262,389	2,510,653
Other debtors	**55,438,125**	48,436,057
Amounts due from associates	**5,369,669**	4,850,513
Amounts due from joint ventures	**19,972,294**	22,199,073
Prepayments (1)	**46,142,823**	39,646,973
Gross amount due from customers for contract work	**923,427**	811,139
Derivative financial instrument	**83,087**	122,195
	130,191,814	118,576,603

Trade debtors 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 year	**1,956,956**	2,226,662
1 to 2 years	**130,341**	124,718
2 to 3 years	**107,865**	96,227
Over 3 years	**67,227**	63,046
Trade debtors net of allowance for doubtful debts	**2,262,389**	2,510,653

(1) Since 1 May 2016, the applicable turnover tax in respect of sales of properties has been changed from business tax to value-added tax. Existing projects which meet the requirements of tax law may adopt simplified tax calculation method with a tax rate of 5%. Other projects will be subject to a tax rate of 11% by adopting general tax calculation method. All projects shall be subject to value-added tax to be prepaid at 3% of receipts in advance upon sales take place and before tax obligation arise. As at the balance sheet date, the Group included the prepaid value-added tax in prepayments.

13. TRADE AND OTHER PAYABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade creditors and bills payable	**115,046,485**	108,191,191
Other payables and accruals	**52,703,025**	44,662,273
Amounts due to associates	**5,227,827**	4,338,016
Amounts due to joint ventures	**18,022,367**	10,777,038
Receipts in advance	**278,333,161**	212,625,706
Interest payables	**438,058**	231,576
	469,770,923	380,825,800

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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Current or payable on demand	**113,969,245**	107,551,800
Due after one year	**1,077,240**	639,391
	115,046,485	108,191,191

14. SHARE CAPITAL AND DIVIDENDS

(a) Share capital:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Authorised, issued and fully paid:		
A shares of RMB1 each	**9,724,197**	9,736,657
the overseas-listed foreign share(s) (the "**H shares**") of RMB1 each	**1,314,955**	1,314,955
	11,039,152	11,051,612

Included in the A shares are 16,088,774 shares (31 December 2015: 16,073,774 shares) with restriction to transfer.

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 equally with regard to the Company's residual assets.

During the reporting period, the Company issued 20,000 A shares (six months ended 30 June 2015: 10,550,858 A Shares) upon exercise of share options under the share option scheme. The treasury shares were cancelled during the period.

(b) Dividends

(i) No dividend has been declared in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period.

	Six months ended 30 June	
	2016 *RMB'000*	2015 *RMB'000*
Final dividend in respect of the previous financial year, approved during the period, of RMB0.72 per share (2015: RMB0.50 per share)	**7,948,189**	5,520,548

2. MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2016 is a rather special half-year in the Company's 32 years development history.

The shareholding issue, which began in July 2015, has not been resolved satisfactorily up until now. Consensus has yet to be reached on the Proposal of Acquiring Assets by Way of Issuance of Shares. Certain shareholders had proposed the removal of all the directors and non-staff representative supervisors. International and domestic rating agencies remarked that the Company's existing credit rating and outlook will encounter adjustment pressure. The Company noticed that since the end of June, the Group's partners, customers, employees, and other minority shareholders have greater doubts and worries about the Company's future prospects. The Group's normal operation was thus affected.

Despite being affected by the shareholding issue, the first half of 2016 witnessed record highs in the Group's sales, with its new businesses making steady progress. The Group's entire workforce from the management to ordinary staff ignored the disturbance and diligently performed their duties. The business partnership scheme founded in 2014 had played a vital role in maintaining stability at this critical moment. We are pleased to be listed on Fortune Global 500 for the first time in July 2016, ranking 356th. Such achievement was attributable to years of trust and support from our customers, investors and partners, as well as dedication of the Group's entire workforce.

Reviewing the first half of 2016, there had been challenges, as well as achievements. In the second half of the year, the Company's management and its staff members will work together to overcome difficulties and strive to maintain stable operations. The Company also sincerely hopes that the shareholding issue will be resolved satisfactorily as soon as possible, allowing the Company to be back on track for normal developments.

2.1 Property market overview

During the Reporting Period, the property market in China (herein only referred to "Mainland China") on the whole achieved satisfactory sales. According to the data from the National Bureau of Statistics of China, sales area and sales amount of commodity housing in the country for the first half of the year amounted to 570 million sq.m. and RMB4.2 trillion, representing year-on-year increase of 28.6% and 44.4% respectively.

By geographical breakdown, there was substantial variation between cities in the first half of the year. The sales area of new housing in major cities increased remarkably; with limited growth in supply, the inventory of commodity housing decreased rapidly. For instance, in the 14 medium and large-sized cities (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi and Suzhou, collectively as "**14 cities**"), which the Company had been monitoring on an ongoing basis, sales area of commodity housing for the first half of the year increased by 45.0% year-on-year, while area of new housing approved for pre-sale only increased by 9.2% year-on-year. Sales area of commodity housing for the same period was also 1.53 times of area of new housing approved for pre-sale. At the end of June, the inventory of new housing (i.e. those area that had already obtained sales permit but not yet sold) in the 14 cities decreased to 110 million sq.m (140 million sq.m at the end of 2015), while the duration for the market to absorb housing inventory had been shortened to 6.6 months, from 8.4 months at the end of 2015. However, the cities with a higher land supply previously combined with a slower growth or even negative growth in population were still under considerable inventory pressure, and such situation did not displayed any fundamental improvements.

Since the second half of 2014, sales of commodity housing of medium and large-sized cities in China had rebounded and rose for 20 months in a row, and the recovery in the amount of transactions across the country had continued for 15 months. During the Reporting Period, as the area of housing sold increased significantly, some cities with lower inventory of new housing found themselves under the pressure of rapid increase in housing prices again. To avoid the risk of the property market being overheated, stricter home purchase restriction policies and differential housing credit policies were introduced in cities such as Shanghai and Shenzhen in March 2016; subsequently, second-tier cities such as Nanjing, Suzhou and Hefei also began to tighten their relevant policies. With the gradual adjustment of policies in the popular cities, the notable growth momentum of housing transactions in these cities began to slow down. In the second quarter, year-on-year growth rate of sales area of commodity housing in the abovementioned 14 cities dropped to 25.4%, indicating a substantial slowdown when compared to 78.9% in the first quarter. A year-on-year increase in the sales area of commodity housing in China in April was 45.9%, but then gradually narrowed down and dropped to 14.2% in June.

During the Reporting Period, the land markets in major cities were characterized by "high land price, high premium". For the first half of 2016, the area of land supplied and sold for residential units (including commercial and residential complex) in the 14 cities grew by 15.3% and 47.5% respectively, as compared with to same period last year. The transaction prices of land continued to surge to a new high. The land premium ratio (i.e. the average actual transaction price of floor area/average auction starting price of floor area in land transactions) in the aforesaid cities rose to 1.41 in the first quarter and further climbed to 1.93 in the second quarter of 2016. Intensified competition for land in popular cities led to frequent emergence of "supreme land lots", with average land premium of floor area higher than the average housing floor area prices in the surrounding areas.

During the Reporting Period, the property development and investment across China showed improvement from the slump in 2015; however, further observations are required to confirm the sustainability of the growth. Investment in residential property development in China was approximately RMB3.1 trillion during the first half of the year, representing a year-on-year growth of 5.6%, which was 1.2 percentage points lower than that of the first five months of 2016. Floor area of new construction of housing in China was approximately RMB530 million sq.m., representing a year-on-year growth of 14.0%, which was 2.2 percentage points lower than that in the first five months of 2016.

2.2 Business Development of the Company during the Reporting Period

During the Reporting Period, the Group realised a revenue of RMB70.75 billion, representing a year-on-year increase of 48.55%; and profit attributable to equity shareholders of the Company for the period amounted to RMB5.35 billion, representing a year-on-year increase of 10.42%. The growth in profit was slower than that of revenue, as certain projects booked during the period was sold during the property market adjustment in 2014.

The Group specializes in property development. Its revenue is mainly derived from the development and sale of properties. During the Reporting Period, the booked revenue derived from the property development business accounted for 96.9% of the Group's total revenue.

Unit: RMB'000

Segment	Revenue Amount	Revenue Change	Cost of sales Amount	Cost of sales Change	Profit margin Value	Profit margin Change
1. Core business	70,232,463	49.67%	54,931,001	57.57%	18.60%	-3.27 percentage points
Including: Property development	68,562,954	49.46%	53,602,779	57.98%	18.56%	-3.62 percentage points
Property Management	1,669,509	59.09%	1,328,222	42.77%	20.44%	9.09 percentage points
2. Other businesses	516,372	-26.42%	184,765	33.74%	64.22%	-16.09 percentage points
Total	**70,748,835**	**48.55%**	**55,115,766**	**57.48%**	**18.93%**	**-3.86 percentage points**

Note: Land appreciation tax had been deducted from the profit margin.

For the first half of 2016, the Group's basic earnings per share were RMB0.48, representing a year-on-year increase of 10.39%. Fully diluted return on equity was 5.49%, which generally remained unchanged compared to the same period last year.

There will be no dividend distribution nor transfer equity reserve to share capital of the Company for the first half of 2016.

2.2.1 Property sales and booked projects

(I) Property sales

For the first half of the year, the property development business of the Group realised a sales area of 14,090,000 sq.m. and a sales amount of RMB190.08 billion, representing year-on-year increase of 55.8% and 69.9% respectively.

The following table provides a breakdown of the Group's sales by geographical region:

	Sales area *(sq.m.)*	Proportion	Sales amount *(RMB billion)*	Proportion
Guangshen Region	3,181,647	22.6%	49.78	26.2%
Shanghai Region	4,158,892	29.5%	71.03	37.4%
Beijing Region	3,162,297	22.4%	37.30	19.6%
Central and Western Region	3,576,927	25.4%	30.92	16.3%
Overseas Region	10,019	0.1%	1.04	0.5%
Total	**14,089,781**	**100.0%**	**190.08**	**100.0%**

Note: Cities in which sales were realised for the first half of the year included Shenzhen, Guangzhou, Dongguan, Huizhou, Foshan, Zhuhai, Zhongshan, Xiamen, Fuzhou, Putian, Sanya, Nanning and Changsha in the Guangshen Region; Shanghai, Hangzhou, Suzhou, Wuxi, Nanjing, Nanchang, Ningbo, Hefei, Yangzhou, Wenzhou, Wuhu, Xuzhou, Nantong, Zhenjiang and Changzhou in the Shanghai Region; Beijing, Tianjin, Shenyang, Dalian, Changchun, Jilin, Qingdao, Jinan, Yantai, Taiyuan, Tangshan and Anshan in the Beijing Region, and Chengdu, Wuhan, Xi'an, Zhengzhou, Chongqing, Kunming, Guiyang and Urumqi in the Central and Western Region; New York, San Francisco and London in Overseas Region.

(II) *Booked projects*

The Group realised a booked area of 6.546 million sq.m. and a booked revenue of RMB68.56 billion for the first half of the year, representing year-on-year increase of 43.6% and 49.5% respectively. The average booked price of the Company's property development business was RMB10,474 per sq.m., representing a 4.0% decrease from the corresponding period of 2015.

Revenue and profit by region

	Recognised area *(sq.m.)*	Proportion	Revenue from core business *(RMB'000)*	Proportion	Net profit *(RMB'000)*	Proportion
Guangshen Region	1,546,644	23.63%	17,569,479	25.63%	2,585,665	40.23%
Shanghai Region	1,720,762	26.29%	22,865,440	33.35%	2,334,179	36.32%
Beijing Region	1,612,302	24.63%	16,780,036	24.47%	1,092,419	17.00%
Central and Western region	1,665,947	25.45%	11,347,999	16.55%	414,285	6.45%
Total	**6,545,655**	**100.00%**	**68,562,954**	**100.00%**	**6,426,548**	**100.00%**

Note: Guangshen Region included Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Sanya, Huizhou, Qingyuan and Putian; Shanghai Region included Shanghai, Hangzhou, Suzhou, Wuxi, Yangzhou, Hefei, Nanjing, Zhenjiang, Ningbo, Nanchang, Wuhu, Nantong, Fuyang, Jiaxing, Xuzhou, Kunshan and Wenzhou; Beijing Region included Beijing, Tangshan, Tianjin, Shenyang, Anshan, Fushun, Dalian, Changchun, Jilin, Qingdao, Yantai, Taiyuan, Jinzhong, Qinhuangdao and Jinan; and Central and Western Region included Chengdu, Chongqing, Wuhan, Xi'an, Guiyang, Kunming, Urumqi and Zhengzhou.

(III) *Area sold but not booked*

Since the sales area was much higher than the booked area, the area sold but not booked of the Group grew further. As of the end of the Reporting Period, the Group had a total area of 24.046 million sq.m. sold but not yet booked, as construction had yet to be completed. These unbooked resources had a contract amount of approximately RMB297.71 billion. The area sold but not yet booked and contract amount were 30.6% and 38.4% higher than those at the end of last year respectively.

2.2.2 Property development and investment

(I) Floor area of new construction and completed floor area

For the first half of the year, the Group realised a floor area of new construction of 16.656 million sq.m., representing a year-on-year growth of 64.6% and accounting for 75.7% of the planned floor area of new construction for the whole year of 2016 (2015: 60.2%). The Company realised a completed floor area of 7.025 million sq.m., representing a year-on-year growth of 35.8% and accounting for 34.0% of the planned floor area to be completed for the full year of 2016 (2015: 32.7%). According to the current progress of project development, it is expected that the floor area to be completed for the full year will meet the target that was set at the beginning of the year.

(II) New projects and land reserves

During the Reporting Period, there was intense competition for urban land and significant growth in land price. The Group maintained a prudent investment strategy, exercised stringent control over its investment quality and rationally replenished project resources in accordance with the market situation and its actual development needs. For the first half of the year, the Group acquired 70 new projects with a gross floor area ("**GFA**") of 12.601 million sq.m. and planned GFA attributable to the Company's equity holding of 8.488 million sq.m.. The total land premium of the projects attributable to the Company's equity holding amounted to approximately RMB46.58 billion, and the average land premium of the newly acquired projects was RMB5,488 per sq.m..

As of the end of the Reporting Period, the aggregate GFA of the Group's projects under planning attributable to the Company's equity holding amounted to 35.82 million sq.m., which was sufficient to satisfy the Group's development needs for over two years in the future. In addition, the Group was also involved in certain city-redevelopment projects. According to the current plans, the aggregated GFA of these projects attributable to Company's equity holding was approximately 2.944 million sq m.

For details on the new projects acquired during the Reporting Period, please refer to the following table. The Company's equity interests in the projects listed in the table may change as a result of introduction of cooperation parties for the joint development of some of these projects. At this stage, the current percentages of shareholdings are for investors' reference only.

Unit: sq.m.

No.	City	Project Name	Location	% of shareholding	Site area (sq.m.)	Planned GFA (sq.m.)	GFA attributable to the Vanke's equity holding (sq.m.)	Progress
1	Guangzhou	Zhongxin Knowledge Town Land Lot	Huangpu District	14.3%	112,600	161,800	23,105	Pre-construction
2	Foshan	Golden Paradise	Nanhai District	67.0%	87,157	331,196	221,970	Under construction
3	Foshan	Gold Milestone	Chancheng District	99.8%	77,562	298,004	297,288	Pre-construction
4	Xiamen	Northern District of Xiamen Airport Project	Huli District	90.0%	136,440	245,592	221,033	Pre-construction
5	Xiamen	Wuyuan Bay Project	Huli District	100.0%	44,824	70,020	70,020	Under construction
6	Xiamen	Heron Hill	Xiangan District	100.0%	86,368	131,060	131,060	Pre-construction
7	Dongguan	Han Lin Cheng Shi Hua Yuan	Dongcheng District	46.0%	74,813	272,318	125,266	Pre-construction
8	Shanghai	Project atop Xujing Subway Station	Qingpu District	49.1%	260,121	453,874	223,034	Under construction
9	Shanghai	Oasis Yabinli Project	Jing'an District	50.0%	103,672	337,147	168,573	Under construction
10	Nantong	Shibei Hi-tech Park Project	Gangzha District	97.5%	191,882	194,500	189,638	Pre-construction
11	Nanjing	Shangduhui South End Project	Yuhuatai District	59.8%	71,334	170,240	101,821	Under construction
12	Su'nan	Yu Jian Shan	Gaoxin District	47.1%	167,206	234,059	110,125	Under construction
13	Su'nan	Vanke Country Garden Project	Wujiang District	45.6%	76,421	213,979	97,574	Under construction
14	Su'nan	Qingjian Lake Project	Industrial District	100.0%	51,579	30,948	30,948	Pre-construction
15	Yangzhou	Town West Project	Hanjiang District	95.4%	78,409	109,773	104,723	Under construction
16	Yangzhou	Jiangwang Primary School Project	Hanjiang District	95.1%	46,927	79,850	75,961	Under construction
17	Xuzhou	Bei Chen Tian Di	Gulou District	88.6%	28,149	95,707	84,796	Under construction
18	Xuzhou	Puyue Mountain	Economic & Technological Development Zone	44.7%	67,015	87,108	38,937	Under construction
19	Hangzhou	Hangchen Phase 2	Yuhang District	100.0%	33,648	67,296	67,296	Pre-construction
20	Hangzhou	Yue Zhong Huan	Economic and Technological Development Zone	100.0%	47,260	113,425	113,425	Under construction
21	Hangzhou	Huanglong International Center	Xihu District	51.0%	72,448	287,960	146,860	Under construction
22	Hangzhou	Liangzhu Culture Village Future Town North Project	Yuhang District	47.0%	82,834	182,235	85,611	Pre-construction
23	Hangzhou	Hai Shang Ming Yue Xi Di Kuai Project	Xiaoshan District	33.0%	21,211	46,665	15,399	Pre-construction
24	Hangzhou	Park Avenue	Gongshu District	45.0%	41,295	103,238	46,481	Under construction
25	Hangzhou	San Dun Bei Di Kuai Xiang Mu	Xihu District	100.0%	62,190	174,132	174,132	Pre-construction
26	Hangzhou	Qixianqiao Project	Yuhang District	100.0%	78,527	133,496	133,496	Pre-construction
27	Hangzhou	Fu Chun 16 Hao Di Kuai Project	Fuyang District	30.9%	30,063	66,139	20,458	Pre-construction
28	Ningbo	Ming Zhong Jia Di	Yinzhou District	45.0%	69,774	139,548	62,797	Pre-construction
29	Ningbo	Yiyun County Project	Yinzhou District	46.0%	49,977	79,880	36,745	Pre-construction
30	Ningbo	Dongqian Lake Project	Yinzhou District	9.0%	141,377	211,457	19,031	Pre-construction
31	Ningbo	Tian Yi Jiu Zhu	Gaoxin District	46.0%	44,828	80,659	37,103	Pre-construction
32	Ningbo	Dong Cheng 1902	Gaoxin District	46.0%	57,338	126,144	58,026	Pre-construction
33	Ningbo	East Yinxiang City	Yinzhou District	96.9%	53,549	108,254	104,898	Pre-construction
34	Wenzhou	Shi Dai Center	Lucheng District	36.5%	5,819	18,037	6,583	Under construction
35	Hefei	Hefei Exhibition Centre East Project	Binhuxin District	45.0%	85,254	218,014	98,106	Under construction
36	Nanchang	Golden Paradise Binjiang	Qingshanhu District	18.3%	20,069	50,172	9,156	Under construction

No.	City	Project Name	Location	% of shareholding	Site area (sq.m.)	Planned GFA (sq.m.)	GFA attributable to the Vanke's equity holding (sq.m.)	Progress
37	Nanchang	Legend on Midtown	Economic and Technological Development Zone	38.3%	87,065	174,506	66,906	Pre-construction
38	Nanchang	Hengchao 118 mu land lot Project	Nanchang county	40.0%	76,200	190,500	76,200	Pre-construction
39	Beijing	Beixiaoying Project	Chaoyang District	100.0%	9,825	51,894	51,894	Pre-construction
40	Tianjin	Zitai	Binhai New Area District	46.6%	56,544	136,333	63,491	Under construction
41	Shenyang	Hongmei MSG Factory Project	Tiexi District	63.9%	54,257	166,250	106,229	Pre-construction
42	Shenyang	Sun Yat-Sen Park	Heping District	9.0%	9,444	75,965	6,837	Under construction
43	Shenyang	Fei Cui Zhi Guang	Tiexi District	60.0%	108,183	486,232	291,739	Pre-construction
44	Shenyang	Feicui Park	Yuhong District	99.5%	109,776	219,552	218,463	Pre-construction
45	Dalian	Ban Shan Ban Hai	Shahekou District	95.0%	12,233	45,140	42,883	Under construction
46	Dalian	Chuming Food Processing Plant	Ganjingzi District	100.0%	146,290	248,710	248,710	Pre-construction
47	Changchun	Ruyuan	Jingyue District	47.8%	181,283	199,411	95,259	Under construction
48	Changchun	Hui Si Le Ban Fu Hua Yuan	Jingyue District	51.0%	187,439	243,671	124,272	Pre-construction
49	Changchun	Gold Milestone	Qikai District	70.0%	63,523	107,929	75,550	Pre-construction
50	Changchun	Jingyang Avenue Project	Luyuan District	100.0%	181,060	435,039	435,039	Pre-construction
51	Qingdao	King Metropolis	Chengyang District	65.0%	63,599	125,053	81,284	Pre-construction
52	Yantai	Feicui Park	Zhifu District	85.1%	57,892	150,510	128,039	Under construction
53	Jinan	Lu Cheng	Gaoxin District	75.0%	20,000	64,541	48,406	Pre-construction
54	Jinan	Lu Cheng Center	Gaoxin District	18.0%	10,508	41,788	7,522	Pre-construction
55	Taiyuan	The Paradiso	Jinyuan District	95.0%	40,047	148,741	141,304	Under construction
56	Taiyuan	Park Avenue	Jiancaoping District	100.0%	66,179	222,630	222,630	Pre-construction
57	Taiyuan	Zi Yuan	Yingze District	100.0%	74,373	196,106	196,106	Pre-construction
58	Chengdu	Hua Yang 220 Mu Project	Tianfu New District	100.0%	146,745	410,737	410,737	Pre-construction
59	Chengdu	Wu Long Shan Lan Shan	Xidu District	100.0%	121,207	145,449	145,449	Pre-construction
60	Wuhan	Fei Cui Jiu Xi	Economic & Technological Development Zone	51.0%	160,682	377,603	192,577	Pre-construction
61	Wuhan	Feicui Binjiang Project	Hanyang District	55.0%	225,231	914,600	503,030	Under construction
62	Xi'an	Cheng Shi Zhi Guang Mi You	Qujiang New District	95.0%	20,000	68,664	65,231	Under construction
63	Xi'an	Vanke Tianyu	Gaoxin District	95.0%	74,527	303,610	288,430	Pre-construction
64	Zhengzhou	Vanke Meijing, Glamorous City 2	Airport Area District	51.0%	21,430	52,609	26,831	Pre-construction
65	Zhengzhou	Rancho Santa Fe	Zhongmu District	47.0%	70,688	155,513	73,091	Pre-construction
66	Zhengzhou	Vanke Meijing, Glamorous City	Airport Area District	51.0%	20,331	40,662	20,738	Pre-construction
67	Zhengzhou	Vanke Tianlun Zitai	Huiji District	48.1%	68,852	206,556	99,271	Pre-construction
68	Zhengzhou	Vanke Metropolis	Erqi District	95.3%	65,124	195,157	185,984	Under construction
69	Guiyang	Gong Yuan Chuan Qi	Yunyan District	45.2%	34,325	130,087	58,845	Under construction
70	Kunming	Xin Jin Hua Yuan	Gaoxin District	95.0%	37,450	145,292	138,028	Under construction
Total					**5,442,252**	**12,600,966**	**8,488,480**	

In addition, from the end of the Reporting Period to the date of this announcement, the Group acquired 9 new projects, with a planned GFA attributable to the Company's equity holding of approximately 997,000 sq.m.. Details are as follows:

No.	City	Project Name	Location	% of shareholding	Site area (sq.m.)	Planned GFA (sq.m.)	GFA attributable to the Vanke's equity holding (sq.m.)	Progress
1	Dongguan	Zhongwuwei Project	Dongcheng District	46.0%	74,813	272,318	125,266	Pre-construction
2	Zhuhai	Tangjia Hongshu East Coast Project	Xiangzhou District	20.0%	333,668	500,536	100,107	Under construction
3	Suzhou	Park Avenue	Wujiang District	50.0%	173,783	359,337	179,669	Under construction
4	Wuxi	Meicunwanyu Project	Xinwu District	95.0%	73,769	141,436	134,364	Pre-construction
5	Hangzhou	Wantongshangyuan Project	Yuhang District	100.0%	32,675	83,432	83,432	Under construction
6	Yantai	Beifangjiafang North land lot project	Fushan District	40.0%	47,988	129,949	51,979	Pre-construction
7	Zhengzhou	Jin Shui Zheng Fang Ji 3# Di Project	Jinshui District	70.6%	62,197	186,590	131,732	Pre-construction
8	Zhengzhou	Fusheng Square Project	Zhengdong New District	51.0%	17,923	71,691	36,562	Pre-construction
9	Kunming	Guojiaao Project	Panlong District	100.0%	37,972	154,336	154,336	Pre-construction
Total					**854,788**	**1,899,625**	**997,447**	

(III) Inventories

As of the end of the Reporting Period, the Group's inventories included RMB108.10 billion of properties to be developed, accounted for 25.33%; RMB277.89 billion of properties under development, accounted for 65.11%; and RMB39.82 billion of completed properties (properties ready for sale), accounted for 9.33% of total inventories.

2.2.3 Progress of new business

(I) Property services business

During the Reporting Period, the Group's property services followed the market-orientation to actively explore in residential and commercial office properties market, through further development of core cities in China and provision of services to facilitate urban development of China. The Company's collaboration with members of Rui alliance (睿聯盟), a property management organization to which the Group provides Rui Service, allowing more users to experience excellent property services. In June 2016, China Property Management Institute and China Index Academy jointly released the list of 2016 China TOP100 Property Management Companies. China Vanke Service Co., Ltd., a subsidiary of the Company, ranked first on the list with its integrated strengths.

(II) Logistic property business

Making a breakthrough in 2015, the Group's logistic property business adhered to the core strategy of "focusing on major customers and key cities, and emphasizing high-standard warehouses" in 2016, to constantly expand its development and enhance its management ability. In the first half of the year, the Group's logistic property business completed the acquisition and integration of a large asset portfolio, adopting diverse and comprehensive investment approach including land tendering, auction and listing, strategic cooperation, single project acquisition and asset portfolio acquisition. Through continued recruitment of talented staffs, a competitive logistic property team has begun to take shape. The Company has also stepped up its efforts in the development of IT platform to achieve digitalization in customer management, staff management and asset management.

During the Reporting Period, the logistic property business acquired 9 new projects, with a planned GFA attributable to the Company's equity holding of approximately 374,000 sq.m.. Details are as follows:

Unit: sq.m.

No.	City	Project Name	Location	Shareholding	Site area (sq.m.)	Planned GFA (sq.m.)	Planned GFA attributable to the Vanke's equity holding (sq.m.)	Progress
1	Ningbo	BeilunPort Project	Beilun District	50%	191,334	105,037	52,519	Completed and leased
2	Jiaxing	Land lot A of Automobile Town Project	Chang'an Town	50%	53,334	35,261	17,631	Completed and leased
3	Jiaxing	Land lot B of Automobile Town Project	Chang'an Town	50%	98,000	54,889	27,445	Under construction
4	Guangzhou	Conghua Wandun Project	Conghua District	50%	86,000	105,273	52,637	Under construction
5	Nanjing	Lishui Logistic Park Project	Lishui	50%	110,983	63,756	31,878	Completed and leased
6	Nanjing	Jiangning Airport Logistic Park Project	Economic Development District	50%	122,110	76,919	38,460	Completed and leased
7	Tianjin	Wuqing E-commerce Park Project	Wuqing	50%	166,667	104,535	52,268	Completed and leased
8	Chengdu	Tianfu New District Logistic Park Project	Tianfu New District	50%	110,001	107,386	53,693	Under construction
9	Hefei	Xingang Logistic Park Project	Economic Development Zone	50%	132,667	94,129	47,065	Under construction, partially completed and leased
Total					**1,071,097**	**747,185**	**373,593**	

(III) Overseas business

Adhering to internationalization as the long-term development direction, the Group learnt from the experience of mature overseas markets and their diversified business models, and introduced mature overseas products, services, strategies and resources into the domestic market, while developing the Company's overseas brand and gaining access to both domestic and overseas customers.

During the Reporting Period, the Group had three new projects in the USA and one in Hong Kong. In the USA, the Group established a property asset management platform – Brightstone, which aimed to promote overseas property financing. In the UK, the Group established a joint platform with a private property fund in Europe. In Hong Kong, the Group continued to focus on its residential and commercial development and redevelopment projects.

2.2.4 Consensus has yet to reach on the Proposal of Acquiring Assets by Way of Issuance of Shares

The Eleventh Meeting of the Seventeenth Board of the Company considered the proposal of acquiring 100% equity interest from Shenzhen Metro Company Co., Ltd. ("**SZMC**") in SZMC's Qianhai International Development Co., Ltd by way of issuance of shares (the "**Transaction of Acquiring Assets by Way of Issuance of Shares**").

According to the Letter of Inquiry Regarding the Restructuring of China Vanke Co., Ltd. from the Shenzhen Stock Exchange, the Company had provided supplemental information and made amendments to the disclosure documents regarding the assets acquisition by way of issuance of shares, and disclosed relevant documents including the announcement regarding Explanation on the Amendment to the Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction. Trading in the Company's A shares resumed at market open on 4 July 2016.

The Transaction of Acquiring Assets by Way of Issuance of Shares has significant implication to the Group. Should the Transaction be smoothly implemented, the Group would be able to secure quality projects atop metro facilities in the core districts of Shenzhen. At the same time, with SZMC as strategic shareholder, the Group would be able to involve in the innovative development model of "Railway + Property", thereby significantly expanding its channels to acquire land resources in future and accelerating its transformation into an "integrated urban services provider", to facilitate product and business upgrade and to achieve improvement in long-term profitability.

Some of the Directors and shareholders raised objection to the Transaction of Acquiring Assets by Way of Issuance of Shares. As of the date of publication of this Report, consensus has not yet reached on the relevant matter. Currently, the Company is engaging in further negotiation and discussion with all the relevant parties, as well as fine-tuning of the Transaction of Acquiring Assets by Way of Issuance of Shares, seeking a consensus from all relevant parties as soon as practicable. The audit and appraisal works in relation to the Transaction of Acquiring Assets by Way of Issuance of Shares are in progress. Upon the completion of relevant works, the Company will follow the subsequent procedures in accordance with the requirements of the relevant laws and regulations.

2.2.5 More apparent impact of the shareholding issue on the Company's operation

The influence of the shareholding issue started in July 2015 on the Group was reflected during the Reporting period. No consensus has been reached on the Company's acquisition of assets by way of issuance of shares. Some of the shareholders proposed the removal and all directors and non-staff representative supervisors. Since the end of June, the Group's partners, customers, employees and other minority shareholders have greater doubts and worries about the Group's prospects. The impact on the normal operation of the Group was reflected as follows:

The acquisition of new land projects has been hindered. As the premium rate of land tendering, auction or listing procedures continue to rise, 70% of the Group's projects in recent years were acquired through cooperation. However, since the end of June, some partners worried that the advantages of the Group's brand, management and financing could not be sustained and thus they proposed changes to the conditions of cooperation or even terminate such cooperation. Expansion of potential projects are exposed to more uncertainties, and it became difficult to invite industry cooperation partners for certain land tendering, auction or listing projects with larger sum of money. From the end of June to the beginning of August, the Group has been requested to make changes in the conditions, of the projects suspension or proposed termination for 31 cooperative projects due to the shareholding issue.

Confidence of partners and customers are undermined. As suggested by the international rating agencies, Standard & Poor's and Moody's, if the removal proposed by shareholders come into effect, the Group's current credit rating and prospect will encounter pressure for adjustment. China Cheng Xin International Credit Rating Co. Ltd. which gave the Company AAA credit rating for two consecutive years also noted and raised attention in its 2016 Follow-up Report on the changes in the shareholding and material asset restructuring of the Company which may affect the Company's operational plan and management. Some of the upstream partners have proposed to shorten the payment schedule. Some of the banks have tightened credit conditions and reduced credit facilities. Customers were worried that the shareholding issue will directly affect the sustainability of the Group's product and service quality, expressing their hesitation and adopting a wait-and-see attitude. The impact on high-end projects, commercial office and en bloc projects was more apparent.

The Company's business expansion is affected. As a result of the shareholding issue, 5 cooperative projects among the management service business of Vanke Service which were under negotiation became pending, changed of plans and proposed for termination. One of the partners of logistic property service requested for adjustments in the conditions of cooperation. A number of overseas funds and banks suspended its cooperation and loans.

Team stability was rocked. The proposal of removal of all directors and non-staff representative supervisors has obvious effect on the team morale. Employees feel uncertain about the future and worry about the Group's development and prospect. Thus, head-hunting companies are targeting the employees of the Group. The turnover rate of the Group showed a significant increased in June and July. Though with the support of business partnership mechanism, the Group did not have large scale employee departure, uncertainties in the advantages of the Group's prospects, culture and mechanism created by the shareholding issue have became the main factors affecting the candidates.

In view of the prevailing environment, the management will make its best efforts to eliminate interference and stabilize the team. Through enhancing communication with partners and customers, the Company will strengthen mutual trust of shareholders and minimize the effect of the shareholding issue on the Group's operation, even though it is still extremely difficult because of the situation. The management sincerely hopes that, with the overall development of the Company as the most import premise, relevant parties will overcome their differences and reach consensus to seek an appropriate solution to lead the Company back on track of normal development and strive for the best interest for all shareholders.

2.2.6 The Business Partnership played an important role

Despite the non-operating difficulties and troubles brought by the shareholding issue, the sales of the Group continued to grow in the first half of 2016, among which the Business Partnership mechanism has played an important role in uniting the team. Drawing on the concept of partners from well-known international companies such as Blackstone and KKR, in order to closely tie in the employees' interest with the interests of shareholders, the Group began the business partnership scheme,including partner shareholding plan and project co-investment scheme, since 2014.

During the downturn of share price in 2014, for the sake of the shareholders' interests, the partners who are the reward target of the Company's economic profit bonus followed the voice of the market and continuously bought in the A Share of China Vanke voluntarily with the deferred collective bonus plus leverage in the secondary market. Currently, the accumulated shareholding of partner shareholding plans accounted for 4.49% of the total share capital of the Company through asset management plan and has never been reduced since the first shareholding increase. The sources of funding to buy shares under the partner shareholding plans are closely linked to the economic profits, which such plans create for the Company and bore greater risks of volatility of share price through leverage, which reflected the spirit of sharing interests and risks between the business partners and shareholders. Under the impact of shareholding issue in the first half of the year, as the Company's managers and shareholders, the business partners consciously maintained the normal operation of the Company and effectively mitigated the impact of the shareholding issue on the Company's various businesses.

The project co-investment schemes are the management mechanism that closely ties in the first line of project management team with the shareholders' interests and that were followed by many industry peers since the Company first launched such schemes in 2014. Under the project co-investment schemes, the Group asked all regional management members, all management members of the first line companies and the project management members, where each property project is located to co-invest by way of self-financing. The directors, supervisors and senior management members are not allowed to co-invest and other staff except for the above-mentioned may volunteer to co-invest. Since the real estate industry entered into the Silver Age, the profitability and turnover capacity of a project largely depend on the investment and operation management capability of the first line project management team. Since the implementation of the co-investment schemes, employees engaged in the co-investment increasingly reflected the awareness and effects of partners in areas such as accelerating project turnover, reducing costs and promoting sales. The average time for a co-investment project from the acquisition to the initial construction has been shortened by 4 months. The average time for a project from the acquisition to the initial opening has been shortened by 5.4 months. The Company's distribution cost ratio also continued to decline. As at the end of June 2016, the Company has 192 projects implemented with the co-investment schemes.

2.3 Analysis of Financial Indicators

2.3.1 Profit margin

The Group's property development business recorded a gross profit margin of 18.56%, a decrease of 3.62 percentage points as compared to same period in 2015. The decrease in the gross profit margin is mainly because cities such as Changsha, Hangzhou, Wuxi, Shenyang, Chongqing, Ningbo and Xi'an were exposed to greater impact during market adjustment period in 2014. Products in these cities with lower gross profit were booked during the first half of the year, resulting in a decrease in overall gross profit margin. The Group's full year gross profit margin is expected to increase.

2.3.2 Distribution costs and administrative expenses

During the Reporting Period, the Group's distribution costs as a percentage of sales was 1.08%, representing a decline of 0.33 percentage point from that of the same period in 2015. Administrative expenses as a percentage of sales was 1.16%, representing a 0.15 percentage point decrease from that of the same period in 2015.

The Group adhered to the strategy of proactive sales and continued to explore diversified sales model. It launched online platforms including "Taobao Vanke Flagship Store" for the first half of the year to enhance the online service dimension and improve quality of services for customers and at the same time lower the distribution costs.

2.3.3 Profit attributable to the non-controlling interests

During the Reporting Period, the Group recorded profit for the period of RMB7.09 billion, representing a year-on-year increase of 4.49%; of which profit attributable to the non-controlling interests was RMB1.74 billion, representing a year-on-year decrease of 10.29%.

Profit attributable to the non-controlling interests of the Company is mainly from cooperative projects. With the property sector entering into the Silver Age, the advantages of cooperation are increasingly prominent and become an important leverage for the Group to achieve sustainable development and enhance shareholder value. Firstly, as competition for quality land lots at popular cities increase, land requisition on the open market is more difficult. Cooperation has become an urgent and realistic choice. Through expansion in the scope of cooperation and innovation, the Group is able to expand its channels for project acquisition and make use of more social stock resources to acquire quality projects. Secondly, cooperation enables the Company to overcome the limitation of its own resources and achieve rapid growth in sales to give the full effect of economies of scale and to consolidate its leading position in the industry. Currently, based on their trust in the Group's operational ability, more financial institutions including China Cinda Asset Management Co., Ltd., China Orient Asset Management Corporation and Ping An Real Estate Company Ltd. have started in cooperation with the Group for broader projects. In recent years, notwithstanding the increase in the number of cooperative projects, the Group's return on equity maintain at a relatively higher level.

2.3.4 Financing

During the Reporting Period, the Company completed the issuance of tranche 1 and tranche 2 for 2016 medium-term notes of RMB1.5 billion each with a tenure of five years in China's interbank market. A total of RMB3.0 billion was issued and the issue rate was 3.2%.

In order to fulfil development needs, Vanke Real Estate (Hong Kong) Company Limited ("**Vanke Real Estate (HK)**"), a wholly-owned subsidiary of the Company, set up a medium-term note program of US$2.0 billion in July 2013. According to the of medium-term note program, Vanke Real Estate (HK) has issued the fifth issue in April 2016 through Bestgain Real Estate Lyra Limited. The aggregate amount of the 3-year fixed rate note issue was HK$3.65 billion with a coupon price of 2.50%. It reflected a sound credit of the Company in the capital markets.

During the Reporting Period, Standard & Poor's and Fitch Ratings continued to maintain BBB+ ratings for the Company's long-term credit rating. Moody's held Baa1 credit rating for the Company. The sound credit in the capital market and leading position of the Company was realized once again. However, Standard & Poor's and Moody's noted the proposed removal of shareholders in the end of June and suggested that such proposal will have negative impact on the credit.

2.3.5 Cash and interest-bearing liabilities

The Group adhered to the principle of stable operation with sound financial and capital situation. As of the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB71.87 billion (including restricted deposit), which was much higher than the total amount of RMB29.29 billion of the bank loans and borrowings from financial institutions and bonds payable with maturity within one year. Among the currency capital structure, 94.79% were denominated in Renminbi and 5.21% were denominated in US dollars, Hong Kong dollars, Great Britain Pounds and Singaporean dollars.

The Group's total interest-bearing borrowings amounted to RMB91.46 billion, accounting for 12.8% of total assets. Among interest-bearing borrowings, interest-bearing borrowings due more than one year amounted to RMB62.17 billion, accounting for 67.97% of total interest-bearing borrowings.

As at the end of the Reporting Period, the Company's net gearing ratio (interest-bearing borrowings less cash and cash equivalents, divided by net assets) was 14.18% and continued to stay at a relatively low level in the industry.

For the interest-bearing borrowings, bank borrowings accounted for 58.42%, bonds payable accounted for 28.84% and other borrowings accounted for 12.74%.

Among the interest-bearing borrowings, 72.41% were denominated in Renminbi and 27.59% were denominated in foreign currencies. Of the interest-bearing borrowings, fixed rate borrowings accounted for 28.84% and floating rate borrowings accounted for 71.16%. During the Reporting Period, the Group's gross interest expenses amounted to RMB2.65 billion, with an aggregate capitalised interest of RMB1.64 million.

The Group's secured interest-bearing borrowings amounted to RMB1.12 billion, accounting only for 1.22% of the total interest-bearing borrowings.

2.3.6 Contingent liabilities

In accordance with industry practice, the Group will provide provisional guarantee for mortgage loans taken by purchasers of the Company's properties. As at the end of the Reporting Period, the aggregate provisional guarantees provided by the Group for mortgage loans taken by its customers amounted to approximately RMB92.12 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.

2.3.7 Risk of fluctuations in exchange rates

The Group conducts a majority of its business operations in the PRC. A large portion of revenue and expenses are denominated in Renminbi. Fluctuations in the exchange rates in Renminbi would have a limited impact on the Company's operations. During the first half of 2016, fluctuations in the exchange rates in Renminbi to Hong Kong dollars, to US dollars and to GBP generated an exchange loss of approximately RMB133 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 deliverable forward ("**DF**") contract to hedge a foreign currency loan of US$500 million and non-deliverable forward ("**NDF**") contract of US$200 million expired during the Reporting Period. The change in the DF and NDF value will not have any impact on the Group's profit and loss for the period. During the Reporting Period, the Group's reserve was reduced by RMB2.16 million due to the change in the DF and NDF value. The Group also disposed expired NDF. In respect of the term and amount of the foreign currency loan, DF and NDF limited the risk of fluctuations of exchange rate through fixed forward exchange rate.

2.4 Future development prospects

The Group is facing a more complicated macroeconomic situation and market environment in the second half of the year while the uncertainties brought along by the shareholding issue may pose a greater challenge for the Group's operation in the future.

Stabilizing its workforce is becoming the Company's key task. Talents are the most valuable assets and core competitiveness of the Group. The Group attracts a number of talents with its positive and energetic, disciplined and transparent corporate culture and values over time. In the face of challenges and pressure, not from its operation, but as a result of the shareholding issue, the Group's business partnership scheme, established since 2014, had fulfill its vital role in ensuring performance growth in of the first half of the year. However, as the shareholding issue has lasted for a year, it has caused significant impacts on staff stability and recruitment of talents. In particular, the filing of a proposal for removal of directors and supervision at the end of June, had resulted in shrinking confidence of the Company's partners and customers, interruption to business expansion, and confusion among the Company's staff. For the second half of the year, the Group's primary task is to stabilize its workforce. The Group could only continue to achieve outstanding results in the sliver era, with the maintenance of an excellent workforce, and thereby creating higher value for shareholders.

The Company stands firm on its bottom line in risk control. First, the Group will enhance corporate governance. The Company will enhance its risk management function within the Board, identify critical risks, establish accountability system, examine the issues in corporate governance, make adjustment, correction and raise the standard of corporate governance. Second, it will strictly control investment risks. The Company will grasp the direction of urban development; constantly and steadily promote core traditional residential business; expand the means and channels for project acquisition; invest in existing assets with value-added potential, a cluster of assets, equity interests and platforms; cooperate with strategic partners to expand the source of resources and enjoy complementary advantages and achieve mutual benefit though cooperation. Third, it will control quality risk. In the second half of the year, more residential units will be delivered. The Group will meet its commitment and overcome external interference to enhance its quality control and provide satisfactory products.

Sustainable development is the goal of the Company. The Company will strengthen its communication with shareholders and regulatory bodies. In a lawful, fair and reasonable manner, it will be in the interests of all shareholders, seek solutions actively and create an all-win situation. In view of the fact that the industry has entered into the silver age era, the Company will transform its scale-and-speed-oriented development to quality-and-efficiency-oriented development, so as to continuously enhance its operational quality and management efficiency. In respect of business, the Company will achieve transformation from a traditional residential development enterprise to an urban ancillary service provider, which will apply a customer-centered approach and carry out its business based on urban development needs. The Company will continue to explore the "railway + property" model to overcome resource bottlenecks and seek opportunities for long term development. Meanwhile, the Company will pay active attention to the market of existing inventory and speed up business expansion including property service, logistic property and commercial property so as to explore sustainable development model.

At present, the shareholding issue has already caused negative impacts on the normal operation of the Group. The management will strive to stabilize operation but it cannot rule out the possibility of future results being affected by the shareholding issue.

2.5 Actual operating result of the reporting period and comparison with the plan at the beginning of the period

During the reporting period, the Group realized a floor area of new construction of 16.656 million sq.m., representing a year-on-year growth of 64.6%. In addition, actual operating result of the reporting period was not materially different from the plan at the beginning of the period.

2.6 Events after the Reporting Period

The Company and the cooperating partners acquired 96.55% equity interest in a specified commercial property company from Blackstone Fund and other independent third parties through limited partnership fund(s) ("**Joint Acquisition Platform**"). The total consideration for the investment amounted to RMB12.87 billion. The Company intends to contribute RMB3,899 million to the Joint Acquisition Platform. On 15 July 2016, the Joint Acquisition Platform had entered into a relevant transaction agreement. As of the day of the disclosure of this report, the relevant transaction has not been finally settled.

3. OTHER MATTERS

3.1 Corporate governance

As one of the first batch of companies listed in the PRC, the Group has always abided by its corporate values: "simplicity, transparency, standardisation and responsibility". It continues to explore ways to raise its corporate governance standard and establishes long-standing trust relationships with its investors. The governance of Company's did not deviate from the relevant corporate governance requirements of CSRC. The Company had also strictly complied with the provisions in the Corporate Governance Code under Appendix 14 to the Listing Rules.

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

In 2015, the Company set up information disclosure committee. During the Reporting Period, the Company gave full play to the function of information disclosure committee to strengthen the management of information disclosure and enhance transparency of the Company.

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 Companies under Appendix 10 to the Listing Rules and the Company's Code for Dealing in the Company's Securities by Staff. 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 Group maintained complete independence from its single largest shareholder, Shenzhen Jushenghua Co., Ltd. and the parties acting in concert in respect of business operation, staff, assets, organisation and finance. It also continued to persist in maintaining complete independence from its single largest shareholder, China Resources Co., Limited, and its connected companies in respect of business operation, staff, assets, organisation and finance, possessing a completely separate business and operational autonomy. The Group had not taken any actions that would violate the code on corporate governance practices such as reporting to Shenzhen Jushenghua Co., Ltd. on any undisclosed information.

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

According to the revised requirement of the Corporate Governance Code, the Company has enhanced the function of risk management on the Board level to identify key risks, establish accountability mechanism, examine the issues of corporate governance and actively adjust and improve the standard of corporate governance.

3.2 Staff and remuneration policies

As of 30 June 2016, there were 46,873 employees on the Group's payroll. The average age of the employees was 30.4, and the average year of service was 2.5 years. Of which, 34,207 was male and 12,671 were female.

Among the entire workforce, there were 6,086 employees engaged in the property development division. The average age of the staff working for this division was 33.0 and the average year of service was 4.7 years. In terms of education level, 0.2% held doctoral degree, 20.5% with master's degree, 68.6% with bachelor's degree, 8.7% with tertiary education and 2.02% with education below tertiary level.

There were 38,411 employees engaged in property management. The average age was 29.9 and the average year of service was 2.2 years. In terms of education level, 0.3% held master's degree, 8.9% with bachelor's degree, 15.9% with tertiary education and 74.9% with education below tertiary level.

There were 1,214 employees engaged in the commercial services division. The average age was 30.6 and the average year of service was 1.7 years. In terms of education level, 0.1% held doctors' degree, 9.7% held master's degree, 47.4% with bachelor's degree, 18.5% with tertiary education and 24.3% with education below tertiary level.

There were 507 employees engaged in the hotel services division. The average age was 32.0 and the average year of service was 2.3 year. In terms of education level, 1.38% held master's degree, 10.06% with bachelor's degree, 14.4% with tertiary education and 74.16% with education below tertiary level.

There were 625 employees engaged in other divisions. The average age was 30.4 and the average year of service was 1.9 year. In terms of education level, 10.3% held master's degree, 32.7% with bachelor's degree, 10.3% with tertiary education and 46.6% with education below tertiary 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 Company'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 appropriated by the Group amounted to RMB2.92 billion.

People are the most valuable assets to the Company. The Group will continue to commit itself to providing development opportunities and creating a pleasant work environment for high caliber persons.

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

During the Reporting Period, there was no purchase, disposal or redemption of the listed securities of the Company or its subsidiaries by the Company or any of its subsidiaries

4. AUDIT COMMITTEE REVIEW ON INTERIM RESULTS

The audit committee of the Board has reviewed and confirmed the Group's unaudited interim results for the six months ended 30 June 2016 and other relevant matters.

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, 19 August 2016

As at the date of this announcement, the Board comprises Mr. WANG Shi, Mr. YU Liang and Mr. WANG Wenjin as executive Directors; Mr. QIAO Shibo, Mr. SUN Jianyi, Mr. WEI Bin and Mr. CHEN Ying as non-executive Directors; and Mr. ZHANG Liping, Mr. HUA Sheng, Ms. LAW Elizabeth and Mr. HAI Wen as independent non-executive Directors.

* *for identification purpose only*